Credit and FINANCIAL MANAGEMENT

NATIONAL ASSOCIATION OF CREDIT MEN

LOS ANGELES, CALIFORNIA **MAY 14-18th, 1950**

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Credit Interchange Bureaus

CENTRAL OFFICES
512-514 Arcade Building
ST. LOUIS 1, MO.

of the NATIONAL ASSOCIATION of CREDIT MEN

Report on

----- -------- COMPANY --- ----, IOWA ------- COUNTY FEBRUARY 23, 1950

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BUSINESS CLASSIFICATION	HOW LONG SOLD	DATE OF LAST SALE	HIGHEST RECENT CREDIT	NOW OWING (INCLUDING NOTES)	PAST DUE (INCLUDING NOTES)	TERMS OF SALE	PAYING RECORD: DIS-COUNTS	PAYING RECORD: PAYS WHEN DUE	PAYING RECORD: DAYS SLOW	COMMENTS
CENTRAL IOWA										
206-8										
Hdwe	yrs	2-50	1329	908		30		x	15	
Ind S	2-44	1-50	1185			1-10-30		x		
Bldg M	yrs	2-50	813	322		15-30		x		
PV&L	1940	2-50	4496	1605		1-10-30	x	x		
Hdwe	yrs	1-50	144			2-10-30	x			
Bldg M	yrs	2-50	1310	639	105	1-10-30		x	10	
Bldg M	yrs	2-50	2297	371		5-30	x			
Off S	yrs	2-50	822	109		N 10		x		
CHICAGO										
207-512										
Bldg M	yrs	2-50	12857	9720		1-10-30		x		
P&H	1938	1-50	2150			2-10-30	x			
NORTHERN WISC-MICH										
207-219										
Paper	yrs	12-49	3618			1-10-30	x	x		
SIOUX CITY & SIOUX FALLS										
207-134										
Hdwe	yrs	2-50	814	216		2-10-30	x			
Ind S	yrs	2-50	516			1-10-30		x		
P&H	yrs	1-50	395			2-10-30	x			
MINNESOTA										
207-510										
Farm S	1942	2-50	3286	1207	318	1-10-30		x	10	
OMAHA & NEBR										
208-253										
I&S	5-33	1-50	3148			30		x		
Hdwe	yrs	2-50	328	118		30		x		
Hdwe	yrs	2-50	1252	822		1-10-30	x			
KANSAS CITY										
208-412										
Hdwe	yrs	2-50	892	85		1-10-30	x	x		
Bu 36 RR										

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Editorial

Time to weed out your bad accounts

ALMOST every business has a number of unprofitable accounts. If you are servicing a wide area you just naturally have accounts which, due to a low volume cost of service and a variety of reasons, are not economically profitable in the sense that they yield earnings. Sometimes these accounts are necessary to give you a complete service in an area. In many instances they may develop into profitable accounts and you nurture them realizing that in time they will be very worthwhile distributive outlets from every point of view.

On occasion you maintain an account out of sentiment. If a man has been doing business with you for a long period of time, even though his volume has been reduced to the point of being unprofitable, you nevertheless keep him on your books. At other times you find that from a prestige and goodwill standpoint some unprofitable accounts are necessary. In these instances you have in mind the service to your customers—the ultimate consumer.

However, as business enters into a more competitive era it is necessary that you carefully analyze your accounts. It may surprise you to find out that many of your accounts are actually unprofitable. If these unprofitable accounts cannot be justified for any of the reasons above mentioned, then you are better off without them. The break-even point in business is a serious problem in these days. Unless, therefore, you have very good reasons to justify an account that is unprofitable, it had better be eliminated.

This is a time to take inventory of your accounts. You can work with the sales department and management in this program. It will pay you dividends to do so. It is a "must" in good credit management.

Henry H. Heimann

HENRY H. HEIMANN,
EXECUTIVE MANAGER

COMING EVENTS

1950

March 17-18
North-Central Credit Conference
St. Paul, Minn.

✦

March 23-24
Northwest Conference
Seattle

✦

April 17-19
Eastern Petroleum Credit Conference
Boston

✦

May 14-18
54th Annual Credit Congress
Biltmore Hotel,
Los Angeles, Calif.

✦

August 6-19
Graduate School
Darthmouth College

✦

October 12-14
All-South Conference
Shreveport

✦

October 19-21
Northeast Conference
New York

✦

October 20-21
Ohio Valley Regional Credit Conference
Louisville, Ky.

✦

October 26-27
Tri-State Conference
Waterloo, Iowa

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Term Loans as a Means of

Financing Small Business

as Related by a Pacific Coast Banker

By E. A. MATTISON

Executive Vice-President, Bank of America, San Francisco

THE challenge to which I refer here is that presented by the necessity of finding a way for banks to supply all the legitimate credit needs of small business, particularly very small business. It is evident that the increasing pressure for solution is going to result in something being done—either the current proposal for an insured loan plan, or perhaps the Capital Bank program. The real $64 question is, "What can commercial banking do about it?"

There is no surer way of securing a sympathetic audience than to propose aid to small business. But despite all efforts, it is usually the little fellow who helps himself the most by applying the first requisites for success as an entrepreneur—the will-to-win, stick-to-it-tiveness, intelligence, and ingenuity.

From my experience, the best way to help him is to give him what he is entitled to. If he is destined for success on his own, he doesn't want anything more than that. But sometimes he has a hard time getting what he is entitled to when it comes to bank credit, and that is unfortunate in many ways. First for him, of course—but also for the banking fraternity and the public in general.

BUT what is a "small business"? There is where the confusion starts, because the President, Congress, the Federal Reserve Bank, the Department of Labor, the Department of Commerce, the Bureau of Internal Revenue, the SEC, and a number of other authorities have each tried to develop a practical and workable definition. So far, no one has come up with a completely satisfactory answer to the question "What is small business?"

The reason is simple—a business that is relatively small within its own field—say a manufacturing plant with 500 employees—is a giant compared with a little machine shop with half a dozen employees, a family owned grocery store, or a one-man service station.

For this reason, the viewpoint which seems most logical and which has the widest popular acceptance is that taken by the Department of Commerce, which sets up separate definitions for each major business classification. By their standards, a business is "small" if it is:

A manufacturing plant with less than 100 employees

A wholesaling operation with annual sales of less than $500,000

A retail store with annual sales of less than $100,000

But no matter what definition we use, we sooner or later begin to realize that we must get down to bedrock, to the millions of small enterprises that are collectively the foundation of our whole American way of life.

Whether these are one-man shops, partnerships, family enterprises, or small corporations, is beside the point—the fact remains that we have several million small business operations that present us with our mid-century challenge.

NOW, I have said it was unfortunate for all concerned—directly or indirectly—when a small business man of any size or category could not obtain bank credit to which he would be entitled on the merits of his statement, character, experience, and all the other elements necessary to a sound credit. Many of you will say with perfectly righteous indignation, "anyone with those qualifications would get all the credit he was entitled to in our bank."

It is at this point that the conflict of opinion starts, because a great many small business men obviously do not get the credit which they feel they are entitled to from their banks. This is the reason for the continued demand for new and special financing facilities for these small enterprises.

Now it is apparent that their credit needs are a stumbling block to many banks who want to help, but find the customary limitations of unsecured commercial accommodations will not provide this class of borrower with the type of credit he needs.

THE several types of credit necessary to accommodate manufacturers, wholesalers, and retailers

vary considerably. The small retailer and service business presents an especially difficult problem. I am referring here to what Dr. Kaplan, the Brookings Institute economist and author of the Committee for Economic Development report "Small Business: Its Place and Problems", agrees are really "tiny business", where sales are considerably less than $100,000 a year. These concerns, however, represent numerically the largest section of small business, and, in my opinion, the one most in need of attention. Manufacturers and wholesalers can generally be taken care of by accounts receivable financing or commodity loans—although all too frequently by finance companies. The tiny retail and service businesses generally have to be treated on a character loan basis. Such loans are generally considered to be too risky and too expensive to handle.

However, that is the real challenge: to find a way to accommodate this large segment of the business economy safely and profitably. It can be done, because it has been done, but, strangely enough, primarily only by large banks. Here we have a perfect example of the inter-dependence of big business and little business.

MANUFACTURERS rely on small business, and even on very small—or tiny—business, for many of the parts required for their finished products. In the case of automobile manufacturers, these suppliers number into the thousands. In the wholesale field—food, for example—the wholesaler depends upon the existence of many thousands of small outlets, and to insure their existence provides them with the latest ideas in efficient merchandising. A notable example of big business sharing its "know-how" with small business is the completely integrated program of the Reid Murdoch Division of Consolidated Grocers Corporation.

Perhaps somewhere or somehow as these sound, constructive programs on the part of big business to aid small business become better known, some of the current feeling in certain quarters about the badness of bigness will disappear. At least it is a record of which big business can be justifiably proud for its farsightedness in contributing time and effort to maintain a truly free enterprise system.

There are many government officials who are aware of this situation. None, to my knowledge, is better informed or more sincerely interested in helping to improve the economic climate for all business than our distinguished Secretary of Commerce.

While he was in San Francisco on his recent survey trip, I had the privilege of spending a sufficient amount of time with the Secretary to really understand his point of view, his aims and objectives. I can assure you gentlemen that the bankers and business men of this nation are most fortunate that this vital office is held by a man of such preeminent qualifications, such a forthright spirit, a dyed-in-the-wool American of absolute conviction that our system is not only the best, but that it will continue to be the best.

I KNOW he is anxious that the solution of the problem be found by private banking, and therefore it may be well to give the insured loan proposal a trial. It at least leaves government agencies out of additional direct lending activities; but we might as well face the fact that the insured loan plan, while unquestionably good in theory, won't work in practice unless all banks get behind it enthusiastically, which for some will mean a major change in policy.

Dr. Kaplan highlights this situation in his analysis of the various capital bank and insured loan plans which have been proposed as a solution of the small business loan problem. Dr. Kaplan says in part:

> "The financing of capital operations involves different psychology and different methods from those involved in the operation of a commercial bank for depositors. It requires personnel not inhibited by orthodox banking traditions."

The reason I say that bankers must pay heed to Dr. Kaplan's very revealing comment is not hard to see when we examine the record of bank participation in other government insured loan plans.

A check of FHA operations made during the last half of 1947, showed that less than 20% of our 15,000 commercial banks were originating loans under the Title I program. Actually, 67 finance companies accounted for almost 1/3 of the total dollar volume of loans made during that period, while some 3,000 banks were responsible for the remaining 2/3—and this after the program had been in operation for over 15 years.

WE FIND an even darker picture in the insured GI Business Loan field. Here, too, there has been a failure to take advantage of an opportunity, because a recent inquiry as to the number of commercial banks which have made GI Business Loans revealed that less than 600 banks have made VA-insured Business Loans.

These are good programs. They both apparently will be on hand for some years to come, and they certainly deserve more banking support than they have received.

And it is also apparent that no new program calling for insured loans to small business will succeed in its mission unless more adequate bank support is forthcoming.

WE ARE happy to share any know-how we have acquired in this or any other field, and have provided a large number of banks with forms, advertising material, our experience ratios, counsel and guidance to the extent that they were desired.

Judging by these inquiries, the most interesting part of our whole small business program seems to be our Term Loans to Small Business.

These are capital loans for commercial, industrial, or professional purposes, to individuals, partnerships, or corporations, for a maximum amount of $10,000, with maturities presently running from 1 to 3 years. They are secured or unsecured, depending on the type of business, and each is supported by a modified type of business loan agreement very similar to those which we use for larger term loans in the corporate field. Each term loan calls for a definite program of payments —monthly, quarterly, or semi-annually—from expected profits of operation.

An analysis of some 6,800 of our Term Loans for Small Business showed that 15% of them involved starting a new business, 35% related to buying an established business in whole or in part, and 50% were

concerned with the purchase of equipment, additional inventory, increase of working capital, or some other phase of the operations of a going business.

The analysis further showed that a guarantor was involved in 11% of the loans; 15% were in the GI category; 31% were secured, morally at least, by a chattel mortgage on fixtures or equipment; while the remaining 43% were completely unsecured.

So far as type of business was concerned, 46% were retail, 39% were service or professional, 4% were wholesale, and 11% were manufacturing.

OUR statistics go back to April 1945, the date on which we "packaged" the program and commenced an extensive advertising and promotional campaign on Term Loans to Small Business. Such loans have always been available in our institution, but from the time they were "packaged," they have been merchandised.

The figures show that from April 1945 to the end of November, 1949, we made 26,478 Term Loans for a total amount of $89,532,603, averaging $3,388.

To date, an amount of $75,343,019, representing 19,451 loans, has been liquidated in full. The gross charge-off, before recovery, is less than 95/100ths of 1%. Recoveries currently approximate 35%.

Our own plan, of course, was self-insured. This was a very simple operation. We set up a memorandum reserve of earnings in excess of 7.2% per annum calculated against monthly outstandings.

Our reserve, as of the end of November, 1949, was $1,152,943. Gross charge-offs against it (before recovery, it should be emphasized) totaled $718,811, leaving a memo balance of $434,131.

IT HAS been, I think you will agree, abundantly demonstrated in the past, that the fully qualified borrower performs just about at well in bad times as in good times, insofar as his ultimate repayment is concerned. This factor of reliability applies to large and small borrowers, alike.

So then, it seems logical to conclude that the fully qualified small borrower will show up as well as the large borrower in bad times.

In order, therefore, to secure the same over-all results, all you have to do is to pick more qualified borrowers in number from among the small applicants. In this way, you go to more trouble and have somewhat higher cost of acquisition, but at the same time this is counterbalanced by the wider spread of risk.

There is no denying that when you are dealing with small and newly established businesses, you are operating in an area where losses will result. But here again, there is a solution, because if you follow the established banking principle that loan rates must be adequate for the risk and cost involved, you will necessarily establish a higher rate on these more expensive to handle loans.

The little fellow and for that matter, no borrower objects to paying his way, because any properly adequate rate on a term loan will cost far less than a partner's share.

WE HAVE followed a policy of setting rates on the basis that would provide us with an adequate return for the risk and cost involved. This has worked out well. Our Instalment Loan Department—70% of whose activity represents loans and advances to small business — produces a far greater proportion of our gross interest earnings from loans than its share of our total loan portfolio would indicate. Instalment Credit Loans represented 21% of total outstanding loans, and produced 34% of our total gross interest earnings. The over-all loss ratio is extremely low. Since the inception of our TIMEPLAN program in 1935, we have made loans of all types—including retail, wholesale, and rediscount financing—for a total of $6,080,101,000.

The retail segment of this amount, which includes our small business loans, has been made up of 7,809,681 loans totaling $3,013,154,327, or an average loan of $388, on which gross charge-offs in relation to liquidated balances totaled only 28/100ths of 1%. After recoveries, the net loss is less than 20/100ths of 1%.

The fact that the West Coast has a highly diversified economy, with statewide branch banking available throughout the territory would seem to indicate that were branch banking available in other similarly diversified areas, the same results might be expected.

THE record and the figures I have just given, show what can be done. How to do it is the problem. In my opinion, it is only necessary that your management, from the very top to the bottom, be convinced of the necessity, safety, profitability and desirability of a small loan program.

With the policy firmly established, the rest is a matter of personnel fitted and trained to handle the operation. Term loans for small business—like all instalment loans—should be handled by people with a definite liking for the activity and the occasional trouble involved. And above all, they should have a sales-minded approach, because that is absolutely essential to this type of operation.

The remaining necessity for a successful program is an advisory service, because while adequate capital is essential for the sound development of any business—management is still the priceless ingredient. Our investigations and those of many others who have studied the field have shown that most business difficulties—and particularly those of small firms—are due to the mistakes of inexperienced management.

Those operating outside of metropolitan areas, usually lack the facilities for securing adequate management information or special training in modern business practices.

TO HELP these firms, we established our Advisory Service in 1946. This special department, working through our statewide system of branches, gathers and distributes information on various phases of small business operations.

In addition to preparing our Information Digests—brief and factual pamphlets on various types of business, for which we have so far received over 200,000 requests—our Service cooperates with Chambers of Commerce and trade associations to promote the interests of small groups. Continuous contact is also maintained with the U. S. Department of Commerce, the California

(Continued on page 26)

An Auditor Explains How

CENTSLESS ACCOUNTING

Cut Operational Costs 40%

By L. F. ADAMS,
Auditor of Dravo Corporation, Pittsburgh, Pennsylvania

"PENNY Elimination" is the name of a new development in accounting technique. In this paper I propose to explain what it means, why we decided to adopt it, how we put it into practical operation and the results we are getting. I believe it offers a very real opportunity for nearly every organization to effect substantial savings in accounting costs.

In our company, "Penny Elimination" means the recording of accounting entries in whole dollars, eliminating the pennies completely wherever possible. Does it sound revolutionary and impractical? Well, it may sound radical but it certainly is not impractical, and I hope to be able to show you that the savings in accounting costs may amount to as much as 40%. That is really worthwhile, and it can be accomplished without any significant effect on the accuracy or sufficiency of costs, statements or statistical reports.

A great many years ago someone said "Take care of the pence, for the pounds will look out for themselves." I am sure he was warning us not to fritter away our income on trivial items, and was not considering the costly and time consuming effort involved in chasing pennies through our books and records.

OF course there is a time and place for everything. The chemist, metallurgist and atom scientist working on precise formulae deal in very small quantities but engineers or bridge builders can be satisfied with pounds or even tons in their computations. So it should be with accountants. When figuring costs of components or separate operations it is frequently necessary to work them out to several decimal places, but that should not mean that this accuracy is necessary or desirable in all phases of our work. When we present a statement of operations for either internal use or public consideration is it particularly important that we say that our sales, or our costs are so many dollars and so many cents? Who cares about the pennies? And our balance sheets have presented our assets and liabilities down to the cent when we as accountants know full well that many of the figures are at best no more than close estimates, in which the exact dollars are open to debate. What I am trying to say is that most statements and statistical reports presented in whole dollars are just as satisfactory and actually less confusing in the long run.

When first proposed in our company it was referred to by some as "Centsless Accounting" and the play on words was intentional. As time passed and the simplicity of the idea became more apparent, the scoffers changed their tune and now, after just a few months trial I do not know of anyone in our accounting organization who does not enthusiastically endorse and support it.

OF course pennies cannot be disregarded completely. Banks continue to carry our accounts out to the cent; our employees want their pay in full; our suppliers expect to be paid the total amount of their bills; and tax collectors will continue to exact their pound of flesh down to the last ounce. We, too, continue to bill our customers the exact amounts represented by the value of the goods we sell or the services we perform. So in our accounts covering cash, receivables and payables we have to record the pennies, but these accounts are in the minority, and give us no concern. It is in the distributions, redistributions, computations, listings, typings, etc., that the volume of clerical operations occur and that is where the savings can be expected.

Our studies of the problem revealed that the average accounting entry representing dollars and cents consists of five digits. Eliminate the pennies and two-fifths or 40% of the work has been done away with. But could this be accomplished without loss of substantial accuracy? We believed it could and the results have exceeded our expectations.

DRAVO Corporation is engaged in a number of specialized types of businesses, conducted by means of four distinct divisions and one wholly owned subsidiary. Our accounting methods are designed to

accommodate the various requirements of each.

The Contracting Division is engaged in heavy construction work and builds such things as bridge foundations, river locks and dams, mine shafts, tunnels and so on. It uses the job order method of keeping the costs of these various projects, and, for purposes of control of costs and evaluation of actual performance, compared with estimates and bids, the costs are broken down by means of codes covering different sections of the work. In addition it is usually necessary to know the elements of cost, such as labor, material and various types of expense incurred with respect to each section. A different set of codes is used to collect such items. So you see we first have an account for each project and under that account codes covering sections and then sub-codes to classify and record the types of costs. All of this requires rather elaborate distributions of labor, material, and overhead expense. Here is an opportunity to effect substantial savings when we reduce the number of digits we have to deal with. Moreover it is sufficient for every purpose to state our costs in whole dollars. Pennies are of no consequence when we are considering the cost of a bridge. Perhaps you are thinking at this point that pennies may be insignificant in the final result, but if so many individual transactions are involved what about the collective effect if they are eliminated in each distribution or entry? And you are right of course. The collective effect would be important, but we have developed a method to get around that obstacle which I will explain a little later on. But before we come to that, I would like to describe some of our other operations and the methods we use for each.

ENGINEERING Works Division builds ships and manufactures various steel fabricated products. Some of these are very large such as ore and coal barges, dockyard cranes and material handling plants. Others are relatively small, for example industrial and commercial space heaters, also steel containers, which we call "Transportainers" used by steamship and barge lines, truckers and railroads for safely and securely transporting shipments of quantities of small but valuable packages that can be more conveniently handled when assembled in shipping containers that will prevent pilferage or damage in handling or by exposure. These transportainers, basically large steel boxes with doors, are substantially constructed and are designed to be used over and over and to last for several years. During the late War this division built large numbers of various types of war vessels for the Navy and Army. Perhaps the best known were the Landing Ships for Tanks, commonly referred to as LST's. We are proud to recall that "LST No. 1" was built at our Neville Island Yard. Since the War, Engineering Works Division has returned to its former shipbuilding specialty of designing and building inland waterways craft, of which barges of various types and diesel towboats are the most numerous and important. In connection with its shipbuilding activities Engineering Works Division engages in a large volume of ship repair work and maintains a marine railway at its Neville Island Yard where vessels are hauled out of the water and repaired or altered as required. This Division also operates on the job order system with separate accounts for each project, with codes and sub-codes to classify the sections of the work and elements of costs applicable to each section. Here, too, labor distributions, material purchases and requisitions occur in great volume and "pennies saved are pennies earned" in the accounting for costs and the accumulation and distribution of overhead.

OUR Machinery Division is sales representative for a number of manufacturers of industrial, power plant, heating and air conditioning equipment, frequently specifically designed and built to fit particular requirements. Ash handling equipment, automatic furnace and boiler control equipment, blowers, boilers, compressors, condensers, feed water heaters, pumps, speed reducers, stokers, turbines, water treatment systems and many other similar and related items are examples of the equipment this Division sells. Its sales and engineering departments are prepared to assist our customers in the selection, design or specification of the proper equipment to fit the job. It will also undertake to perform the installation of the equipment sold, and the customer may, if he wishes, purchase a finished power plant, pumping station, or generating station, complete with buildings, structures, equipment, piping and appurtenances. Machinery Division will do the whole job, design, engineering, construction, installation and so on, in its entirety. In this phase of its activities it is very flexible and will perform all or part with its own forces, or by subcontracting as circumstances and conditions require. It recently completed a major addition to a generating station of a large Eastern power company acting as Prime Contractor with respect to major construction features and as Agent for the procurement of equipment and material, supervision and correlation of subcontractors, payment of all bills, and in the accumulation and classification of costs in accordance with the customer's requirements. The total cost of this addition was in excess of nineteen million dollars. This Division is presently engaged in a similar expansion of a generating station for a power company in Western Pennsylvania and expects to start construction very soon of another station for the same company. This is to be a completely new unit and is expected to cost more than twenty-two million dollars. It will be realized that in projects of this size the paper work is a very considerable task and the opportunity for savings of up to 40% in the recording, distributing, posting, listing and so on of the costs is not to be lightly dismissed. This Division uses a sales order system for collecting costs of equipment sales and a job order system for costing construction and installation projects. It also operates pipe fabricating facilities which are set up on the job order system with the additional complication of the accumulation and distribution to jobs of shop overhead costs. Pennies are of little consequence here, or in a manner of speaking, there is no sense to cents when you are dealing in large dollar volume.

THE Keystone Division produces sand and gravel, manufactures

ready mixed concrete and concrete blocks and operates a number of distributing plants from which these products and other builder's supplies are sold. It owns and operates two floating sand dredges, which are in effect manufacturing plants in their own right, in that after the sand and gravel is dredged from the river or adjacent land area, it must be very carefully washed to remove silt and unwanted material, then graded in the various degrees of size to suit industrial and building requirements. This Division also owns and operates a fleet of towboats and barges which are used to transport the sand and gravel from the dredges to customers and to the distributing plants, and in addition are used in contract towing of coal and other bulk commodities. The volume of accounting work in this Division is not as great nor as complicated as some of our other operations, but need for savings is equally important and relatively just as large. In fact we realized an unexpected savings in this Division which I will tell you about a little later on.

DRAVO-DOYLE Company operates as a separate wholly owned subsidiary. It is engaged in the sale and rental of contractors' equipment of all kinds, types and sizes, from huge earth movers and road paving machines to small pumps and air compressors. It operates a storage yard and shop where this equipment is stored, overhauled and repaired. While its operations are relatively simple it does a substantial volume of business and maintains a large and varied inventory of units, repair parts and supplies. Its accounting is accomplished by the usual methods applicable to a merchandising business combined with job order costs for repair and service functions.

I have described our operations in considerable detail for the purpose of emphasizing the highly varied nature of our accounting requirements, and with the thought that similar applications may be recognized in other businesses.

I HAVE previously stated that we concluded we could eliminate pennies without loss of substantial accuracy. Obviously this could not be accomplished by completely disregarding or "dropping" the cents, because the cumulative effect of pennies involved in the recording of a large number of individual entries would undoubtedly be of considerable consequence. But this can be overcome by "rounding" the amounts to the nearest dollar. This takes advantage of the tendency of fractions under and over a half dollar to offset each other, and reduces the ultimate variance to an acceptable minimum. Amounts ending in exactly fifty cents gave us some concern until we hit on the rather obvious solution of rounding such amounts to the nearest *even* dollar. Thus amounts ending in say $1.50 we raise to $2.00 and amounts ending in say $4.50 we record as $4.00, and so on. This tendency of offset is really the key to the success of the plan and it works out to an amount that is astonishingly small. For instance at the end of five months operation of the plan the total of our variance account resulting from the "rounding" of thousands of items aggregating several millions of dollars was only $233.27. By that I mean that the differences between the whole dollars recorded and distributed and the exact dollars and cents that the individual transactions represented was this insignificant amount.

WHEN our studies had convinced us that the idea was practical we set about working out the details. Since we did not intend to depart from the double entry system of bookkeeping and for every debit entry there had to be a corresponding amount recorded as a credit entry, something had to be done about the variances that were bound to occur. So to keep our books in balance we provide a variance account which we call "Penny Elimination." We set this up as a deferred account with the thought that at the end of the year we will close it to Profit and Loss.

Since the prime objective of the plan is to save accounting time and

Change and trend . . . .

In credit just as in any other activity nothing is ever static. There is constant change, constant re-evaluation, constant need for information and guidance which will enable the credit executive to make his decisions on a basis which takes into account the ever-changing currents of the business tide.

H. M. Sommers, credit manager of the Trojan Hosiery Mills, Indianapolis, has completed a series of articles, the first of which will appear in next month's issue. This series, in the opinion of the editors, constitutes perhaps the most noteworthy contribution to the literature and science of credit management in a long time. The author, a credit executive of long experience and a writer of real authority, has developed a system of scientific credit analysis based on a study of semantics. Under this system the credit decision is made on the basis of answers to questions posed in such a way that from the answers will emerge the full picture the credit executive is seeking.

A careful reading of these articles will be immensely rewarding. Watch out for this series—

Starting in April

effort, we determined that our rules and procedures must not result in *more* work in the elimination of pennies than would be saved. Therefore entries to those accounts in which pennies could not be disregarded are still recorded exactly. We found that such accounts could be limited to those recording the amounts due us by banks, customers, employees and other miscellaneous receivables, and to the accounts controlling payable items and accrued wages, payroll deductions and miscellaneous liabilities. These accounts are comparatively few in number and are easily remembered by all concerned in making entries.

Entries to all other accounts involving income and expense and assets and liabilities are "rounded." In one or two cases we discovered that although an account could be carried on a "rounded" basis in principle, actually because of the need for a rather elaborate reconciliation, it was more practical to record the individual entries exactly and avoid the reconciliation. Withholding taxes and F.I.C. deductions are examples of this point. It would be entirely satisfactory to state our liability for these deductions in whole dollars, but we need an exact control account, to govern our reports and payments, and if only whole dollars were recorded, we would have to keep a side record for control purposes. So no saving in effort and maybe a loss.

WE next examined our various types of entries, and set up procedures to govern the treatment of each type. Cash receipts are recorded in dollars and cents in our Cash Receipts Journal insofar as the columns covering Cash, Accounts Receivable and Discount Allowed are concerned. Credits to miscellaneous income and expense accounts and to other General Ledger Accounts are shown in rounded dollars in the columns provided for such entries in this journal. At the end of the month the various columns are totaled and an entry prepared to record the totals in the General Ledger. At this time the amount of the variance is determined, which is the difference between the total debit to cash and the sum of the total credits of the distribution columns. The amount of this variance should be nominal and if not a recheck is conducted to correct any errors. If the variance is considered acceptable it is forthwith charged or credited to the Penny Elimination Account without further recheck or question. It is true that an insignificant error or an offsetting error of consequence may exist, but if it is insignificant why worry, and if an offsetting error of consequence occurs, it is almost bound to show up in the reconciliation of the bank account or detail trial balance of our Accounts Receivable at which time correction can be made. In any event errors in our Cash Book are very infrequent and do not present a problem to us.

WE do not use a cash disbursement journal, but if we should ever decide to install one, there is no doubt the same procedure established for our cash received journal would work equally well for cash disbursements. All disbursements from our general cash including transfers of cash from our main bank accounts to payroll or other operating fund accounts clear through our accounts payable account. We pay all bills by checks, record of which is kept by I.B.M tabulating machines, and we cannot get a check out of our Tabulating Department without a formal accounts payable purchase bill properly approved and distributed being submitted to that department. In the case of transfers of cash we use a dummy purchase bill that is processed in exactly the same manner that is used for a bill from a supplier of materials or services. Cash discounts allowed on purchase bills are deducted forthwith when such bills are received and scheduled for payment, and in all our accounting for purchases we deal with the net amount to be paid.

A SMALL form is attached to each purchase bill providing space for the necessary approvals, accounting distribution, register number, which is also the check number when the bill is paid, and date the bill is scheduled for payment. Clerks processing these bills enter the accounting distribution in rounded dollars and of course do not make any mark, either a dash or two zeros in the cents column of the distribution form. Nor do they make any entry on the form for the difference between the amount distributed and the amount to be paid. One exception to this rule is that should the distribution involve an entry to one of the accounts that are carried in dollars and cents, then the exact amount is set down. An example of such an entry would be an amount to be rebilled to a customer or employee which is charged to a rebilling account and subsequently cleared by an actual rebill invoice. The reconciliation of the rebilling account is greatly facilitated by having both the charge and the subsequent rebill credit agree exactly. As stated heretofore the number of accounts requiring exact distribution entries are limited and easily remembered by the clerks processing the bills, and if a clerk misses one occasionally the error is easily spotted and corrected. We anticipated some difficulty in the distribution of charges involving proration of a bill to two or more accounts or codes, especially if the bill covered a number of items some of which were prorated on one basis and some on another, but have been pleased to discover that this has caused little or no trouble and of course such instances are the exception and not the rule.

AFTER purchase bills are checked, approved and distributed they are sent into the Tabulating Department in groups of about fifty with an adding machine tape of the payment amounts. Cards are punched in whole dollars covering the distribution and in exact dollars and cents covering the amounts to be paid. These cards are then run through a tabulating machine and the total of the payment cards compared with the adding machine tape, if they agree these cards become the credit to accounts payable and the basis for preparation of checks on the scheduled payment dates. The total of the distribution cards is likewise compared with the total of the payment cards and if the variance is acceptable, and we consider a \$2 variance acceptable, an accumulation on a control sheet of the payable totals and the distribution totals throughout the month make it necessary to have but one

(*Continued on Page 28*)

Some Random Notes On

Blank-Blank Ratings

and what to do about them

by JOHN D. LITTLE

Credit Manager, Lisk Savory Corporation, Buffalo

CREDIT managers are familiar with the classification of mercantile agency ratings of businesses into good and bad. Most of us have put rough limits on the good ratings and have given our assistants authority to approve orders from accounts with good ratings on the basis of these limits. Orders from accounts rated bad in our classification are closely watched, usually by the credit manager himself.

There is a maverick group, however, made up of businesses unwilling to give the agencies enough information for a rating. In this type of concern the owner may be hiding financial weakness or he may be rolling in money and just feeling coy. One excuse often heard is that the owner doesn't want the tax man to know how much inventory he has. At any rate, these accounts are made up of mystery men and are usually called the "listed but not rated" or "blank-blank" ratings. It is quite often a problem to classify these blank-blank rated accounts into good and bad, or at least fair and poor, and put limits on them, because of the lack of the usual financial information.

HERE are some suggested methods for getting these accounts out of the credit manager's hair. We can start with an easy one. J. Doe has been a customer for years. He discounts his invoices, which are normal for his type of store and community, and amount to about $300 each. The salesman who calls on him is an experienced man. Let's put a limit of $400 on the account and turn it over to one of the clerks.

Richard Roe is a more erratic buyer and payer. In a six months ledger history since he has been a customer his invoices have varied from $50 to $750 and his payments from slow thirty days to prompt. His slow payments were his first ones; maybe he was trying us out, or maybe that was his seasonal peak of activity. The references he gave when he became a customer all reported him as prompt in his payments. High credits as shown by these sources averaged $1,000 and the average high credit in a mercantile agency report was $300. Richard Roe's business history, as given in an agency report, is pleasantly uneventful and he is old enough to know the desirability of keeping out of trouble. If we picked a figure of $300 for his limit with the understanding that an assistant would bring us any order over that amount we might not have to look at Richard Roe's account oftener than every two months. Let's call it $300 then and see how he does.

NOW we come to a borderline case, that of J. Blow, a new account whose first order for $1500 is all covered with RUSH remarks. The salesman who sent in the order is not noted for picking his customers with care. The new account report contains more hope for the future than information about the past. A special report from an agency shows no trade clearance. This is one of those accounts you don't want to take but you can't put your finger on a good reason, understandable to front office people, for turning it down.

The account is going to be watched carefully in any event but what is needed now is an initial limit to cut down the first order until some experience is built up on the ledger. A credit manager is paid to take risks, but he is also paid to collect bills. What would we be willing to try and collect from J. Blow? Although there are no trade report figures to go on, the agency reporter said he saw about $5,000 worth of inventory in Blow's place, so let's assume he buys from ten suppliers and his average purchase is $500. If we get stuck $500 we may have some company in our collection endeavors. Maybe there isn't any sense to this figure but it will salve our arithmetical conscience until we get some more information and experience.

THESE random thoughts on the subject of blank-blank ratings are meant for the credit manager who has a lot of such accounts and who wants more time to devote to accounts with more demonstrable risks. The most authentic records for judging future payments of an account are your own ledger cards and files, and if your system of credit control will draw attention to an account when payments or orders become irregular, you can delegate supervision of many of your blank-blank rated accounts by setting limits based on the assumption of risks which are not too abnormal.

I Will Work to Support

HOOVER COMMISSION REPORTS

By HUBERT H. HUMPHREY, USS
Senator from the State of Minnesota

THE Commission on Organization of the Executive Branch of the Government—commonly known as the Hoover Commission —was established July 7, 1947, through the enactment of Public Law 162. This law declared as its purpose that it was—

"to be the policy of the Congress to promote economy, efficiency, and improved services in the transaction of the public business of departments, bureaus, agencies, boards, commissions, offices, independent establishments and instrumentalities of the Executive Branch of the Government."

To achieve that purpose, the statute authorized the appointment by the President of a *bi-partisan* Commission on Organization of the Executive Branch of the Government to consist of twelve members. The President appointed the following persons: Herbert Hoover, Chairman, Dean Acheson, Vice Chairman, Arthur S. Flemming, James Forrestal, George H. Mead, George D. Aiken, Joseph P. Kennedy, John L. McClellan, James K. Pollock, Clarence J. Brown, Carter Manasco and James H. Rowe, Jr.

IT IS important to note that the Hoover Commission is a bi-partisan organization of twelve men, six Democrats and six Republicans. Likewise, it should be noted that this Commission was established by an act of Congress and with the full support and active participation of the President. Furthermore, the Commission was authorized a sizable sum of money to carry out its investigation and was authorized to hire or secure the best available administrative talent in the nation. The work of the Commission was divided into many sub-committees, which sub-committees included representatives acquainted with the area of government to which they were assigned for appropriate investigation.

The major part of the investigatory work was undertaken by groups known as "task forces." These task forces operated under the general supervision of the twelve-member Commission and its chairman. The task forces were well staffed with trained administrative personnel from accredited governmental research, institutions, and agencies.

The task forces performed the meticulous and detailed work of administrative investigation. The reports of these groups were then submitted to the bi-partisan Commission. This Commission was likewise well staffed with trained administrative personnel. All reports of the task forces were carefully gone over and evaluated. Following the analysis of the task forces reports, the Hoover Commission drew up its own recommendations pertaining to the agencies of government. These recommendations were generally unanimous, having the support of the representatives of both political parties and, with but few exceptions, the support of all members of the Commission.

THE Hoover Commission submitted nineteen reports, including a summary report. Life magazine recently stated, concerning the work of the Hoover Commission:

"No previous program has had the care, the pertinacity, the intellectual honesty and sheer brilliance which have gone into the making of the Hoover Report."

It is my considered judgment that the report is a very good blueprint for lasting good government.

If its recommendations are adopted and vigorously supported, the reorganization of government which will follow because of the adoption of the reports can save, according to very conservative estimates, a minimum of $3 billion per year. To say the least, this is substantial economy without jeopardizing much needed and vital government services.

The following agencies or services of government were thoroughly investigated and recommendations for their reorganization were submitted to the President and to the Congress:

1. General Management of the Executive Branch
2. Personnel Management
3. Office of General Services
4. The Post Office Department
5. Foreign affairs
6. The Department of Agriculture
7. Budgeting and accounting
8. The National Security Organization
9. Veterans affairs
10. The Department of Commerce
11. The Department of Treasury
12. Regulatory commissions
13. The Department of Labor

14. The Department of the Interior
15. Social security, education, and Indian affairs
16. Medical services and activities
17. Government business enterprises
18. Part I—Overseas administration
    Part II—Federal—state relations
    Part III—General governmental research
19. Summary report of the proposed recommendations and proposed legislation.

All of these reports and recommendations have now been submitted to the Congress and are in the hands of your Senators and Congressmen. These reports and the recommendations included therein have, in accordance with Congressional procedure, been referred to appropriate Senate and House committees for action.

The report of the Hoover Commission contains some 300 major recommendations. A large percentage of them can be and will be effected by administrative action and through reorganization plans.

SOME eighteen major pieces of legislation must be passed by the Congress, in addition to the general executive reorganization bill, before the Hoover report can be fully carried out.

The Congress has been at work on these recommnedations. The Senate Committee on Expenditures in Executive Departments has already approved the general reorganization bill and the general services agency bill. These were considered basic and fundamental legislative enactments.

The Reorganization Bill, which enables the President to transfer activities and agencies and to reduce the number of big departments and bureaus which report directly to him, was adopted by the 81st Congress and signed by the President. The President submitted to the Congress seven basic plans of reorganization. These included the establishment of a Welfare Department, the reorganization of the Labor Department, reorganization of the Post Office Department, reorganization of the National Security Council and the National Resources Board, reorganization of the Civil Service Commission, reorganization of the United States Maritime Commission and reorganization plan No. 7 transferring the Public Roads Administration to the Department of Commerce.

During the recent National Board meeting in Chicago a resolution was passed endorsing the reports of the Hoover Commission. At the Board's direction a copy of the resolution was sent to the President and to all Senators and Congressmen. A large number of replies has been received including one from Senator Humphrey to which this statement was attached. It was considered so uncommonly good that it was passed on to the editors so that all readers of this publication might have the opportunity to read it.

Six of the reorganization plans were adopted. The proposal for the establishment of the Department of Welfare was rejected by the Congress. It is my understanding, however, that a new proposal which will meet some of the criticisms made by the Congress will be presented in the very near future.

The above mentioned reorganization plans of the Executive Departments represent but the first step in executive reorganization as authorized under the Reorganization Act of 1949. The President has prepared additional reorganization plans which conform to the recommendations of the Hoover Commission. These proposals will be placed before the Congress for either acceptance or rejection.

I am proud to say that I was privileged to serve on the Senate Committee which drafted the basic reorganization act. I supported and voted for the Reorganization Act of 1949. It is under this public law that a majority of the Hoover Commission recommendations can be carried into effect.

A SECOND major piece of Hoover Commission legislation adopted by the Congress was the General Services Agency. This legislation was drafted by the Senate and House Committees on Expenditures in Executive Departments. Again I report that I was an active member of that committee and aided in the preparation of the legislation. The General Services Agency consolidates the following government bureau and agencies: Bureau of Federal Supply, War Assets Administration, Federal Works Agency and National Archives establishment.

The General Services Agency, as established under this legislation, is charged with responsibility for the procurement or purchase of all government supplies; for the utilization and disposal of all government property; for maintaining a modern, up-to-date inventory of all government property and facilities; control of government transportation and communications services and facilities; and the maintenance of a modern system of records and accounting. It is estimated that the enactment of this one measure will produce an economy in government operation of approximately $250 million a year.

THE Congress has passed the Tydings bill, S. 1843, giving the Defense Secretary authority to strengthen unification of the Armed Services. This bill also provides for modernized budgetary and fiscal procedures. This is extremely important, because the military establishment spends over one-third of the federal budget. The Secretary of Defense has estimated that the enactment of this bill into public law will permit savings of $1 billion per year in the management of the national defense program.

The Senate Committee on Expenditures in the Executive Departments has approved the establishment of a National Commission on Intergovernmental Relations. This bill follows the recommendations of the Hoover Commission.

The Congress has passed and the President has signed a measure, S.

(*Continued on page 26*)

THE FALSE FINANCIAL STATEMENT

—Its Detection and Prosecution

by MAXWELL S. MATTUCK
Counsel, Fraud Prevention Department
National Association Credit Men

RECENTLY there has been an increase in the number of cases reported to the Fraud Prevention Department involving the use of false financial statements. A restatement of what is required by the law for the prosecution of those who have issued such statements might, therefore, be helpful.

There are two kinds of cases where the falsity of a financial statement forms the basis for a prosecution. First, there are those cases generally referred to as mail frauds, where the larceny (or attempted larceny) is predicated on the procurement of credit through the means of a false financial statement. Such cases are felonies and are prosecuted in the United States courts under those Federal statutes which proscribe the use of the mails for any fraudulent purpose. Second, there is the type of case where the issuance of the false statement for the purpose of procuring credit is itself expressly made a crime actionable as a misdemeanor in the State courts. In either type of case it is well to understand exactly what those charged with the duty of enforcing the law require for a successful prosecution of the offender. And we shall limit this outline solely to a non-technical discussion of the conditions that may be deemed requisite for such a purpose.

THE New York statute (Penal Law Sec. 1293-b) is more or less typical.[1] It provides as follows:

"1293-b. Obtaining property or credit by use of false statement

Any person

1. Who shall knowingly make or cause to be made, either directly or indirectly, or through any agency whatsoever, any false statement in writing, with intent that it shall be relied upon, respecting the financial condition, or means or ability to pay, of himself, or any other persons, firm or corporation, in whom he is interested, or for whom he is acting, for the purpose of procuring in any form whatsoever, either the delivery of personal property, the payment of cash, the making of a loan or credit, the extension of a credit, the discount of an account receivable, the execution, making or delivery by any person, firm or corporation of any bond or undertaking, or the making, acceptance, discount, sale or indorsement of a bill of exchange, or promissory note, for the benefit of either himself or of such person, firm or corporation; or

2. Who, knowing that a false statement in writing has been made, respecting the financial condition or means or ability to pay, of himself, or such person, firm or corporation in which he is interested, for whom he is acting, procures, upon the faith thereof, for the benefit either of himself, or of such person, firm or corporation, either or any of the things of benefit mentioned in subdivision one of this section; or

3. Who, knowing that a statement in writing has been made, respecting the financial condition or means or ability to pay of himself or such person, firm or corporation, in which he is interested, or for whom he is acting, represents on a later day, either orally or in writing, that such statement therefore (sic) made, if then again made on said day, would be then true, when in fact, said statement if then made would be false, and procures upon the faith thereof, for the benefit either of himself or of such person, firm or corporation, either or any of the things of benefit mentioned in subdivision one of this section,

Shall be guilty of a misdemeanor and punishable by imprisonment for not more than one year or by a fine of not more than one thousand dollars, or both fine and imprisonment. Added L. 1912, c. 340; amended L. 1921, c. 306, eff. July 1, 1921."

To be criminally actionable, therefore,

(a) the statement must be false;

(b) it must be known to the maker to be false;

(c) it must be made with the intent that it be relied upon by the prospective creditor;

(d) and (to all practical purposes) it must be relied upon to the creditor's loss.

THIS basic requirement of falsity should, in theory at least, be simple of comprehension and easily met. As a practical matter, however, difficulties, not manifest to the lay mind present themselves. First of all, not every falsity will support an

[1] Not all states, however, have statutes as broad as the New York Statute. Minnesota, for instance (Chap. 620.50), penalizes only such false statements as were made to obtain credit from banks or trust companies.

action; it should be a material or, shall we say, loosely perhaps, an important falsity. The ultimate test of materiality is the objective judgment of the tribunal trying the facts. Materiality is, in other words, a "question for the jury."[2] One is tempted to oversimplify by suggesting as a test of materiality a rule such as "but for this falsity no credit would have been extended." The difficulty with this is that the test of materiality thereupon become subjective with no definite assurance that the court's or jury's approach will be that of the creditor's. As a matter of fact there is some question as to whether or not a creditor would be permitted so to testify as being in contravention of the accepted rule of evidence that the operation of a witness' mind is inadmissible.

Perhaps a realistic rather than a technical and legalistic approach is better: looking dispassionately at the whole of the financial statement, would a fair-minded jury or court be reasonably convinced that the particular falsity materially affected the credit situation? And keep in mind that the trier of the facts is not apt to be an expert in credit.

It is important to note, moreover, that a creditor's acceptance of figure approximations may prove to be fatal to a later claim of falsity. In fact the very offer of such approximations should forewarn the creditor of their highly probable subsequent use as a defense against a charge of falsity. Generally speaking there should be no sound reason for the failure to give definite specific figures.

So, too, should a definite date as of which the statement is made be required. An approximation of the time is as inconclusive as an approximation of figures.

A DEBTOR'S knowledge of a statement's falsity would, on its fact, seem rather simple of proof. But difficulties do arise which a careful check of a statement's affirmations might obviate. As an instance, the use by the maker of an "opinion" on the value of an asset might be cited. The dishonesty of such an "opinion" as to the value of inventory, for example, is difficult to prove and under the law the burden of such proof is on the complainant. But the more detailed the basis for the "opinion" the simpler the proof of its bad faith. It is for this reason that the writer has had occasion to reiterate many times that it is to the falsification of liabilities that prosecutors are apt to look first for proof of bad faith by the maker of a statement because liabilities are far more definite and real that are assets. A value set upon plant and inventory is oftentimes harder to prove as being dishonest than a misstatement of accounts payable, for example.

There have been cases, too, where difficulties have arisen as a result of the clouded identity of the party actually responsible for the signature to the statement. A wife may sign for the husband, a subordinate for the principal. Who had knowledge of what? Who authorized the signature? As between the parties sought to be charged, who is lying? An insistence that the statement be signed only by the proper party and a representation to that effect might serve to minimize the danger of ultimately being unable to fasten responsibility on those who should bear it.

> **This article is**
>
> **FACT**
>
> **written by a man of long experience.**
>
> **Keep it near at hand.**
>
> **You may need it soon.**

On the other hand, a claim by the issuer of the statement that he relied on his bookkeeper or accountant for its truth will not absolve the signer from possible prosecution. The law refers to this as a "reckless disregard" for what is the obviously reasonable demand that one issuing a financial statement is under a duty to determine its honesty for himself, or pay the price for the failure to do so.

The requirement that it must be the intent of the maker that the statement he relies upon does not mean that only a statement directly given is actionable. It is sufficient that it was made to a mercantile agency with the knowledge by the maker that such agency would in turn give the statement to prospective sellers.

WHETHER or not there is an absolute need technically that a loss be actually incurred by the reliance on the false statement for a successful prosecution, as a practical matter if the issuance of such a statement proves to be merely an abortive attempt to procure credit, it is unlikely, except in an unusual case, that a prosecution would be undertaken. Moreover, a discussion of this phase would probably be academic because creditors are not likely to complain unless a loss had been incurred. However, the size of the loss may be of some practical importance, and all the facts and circumstances of a particular case would have to be considered before a determination can be made as to whether a prosecution is justified.

Experience has shown that the following suggestions may prove helpful in the study of financial statements issued to procure credit:

Do not take approximate figures and data. Facts and amounts should be definite and specific. Do not permit bulk figures.

Be sure that the signature is that of the person issuing the statement. If possible, have the signature witnessed.

Make certain that the person signing and issuing the statement knows himself that it is a true and correct statement.

Get the exact date of condition reflected as well as the date of signing.

Save the envelope in which the statement comes or to which the statement is attached.

Look more to the liabilities for falsities than to the assets.

Get a detailed and complete list of books that are kept by the person or company issuing the statement.

Get the name of the accountant or bookkeeper working on the books.

Be prepared with proof of reliance on the false statement and of the amount of credit extended.

[2] Or for the Court in cases tried without a jury.

More light on a too-little-known subject

BUSINESS LIFE INSURANCE

as a credit factor in small business

by JAMES D. BOOTH
Agency Manager, The Equitable Life Insurance Society,
Tulsa, Oklahoma

BUSINESS Life Insurance as it affects finance and credit is a rather important subject today, not only to credit men but to everyone, and a subject not easily covered in a short time, but there are phases which we can explore that may give you some ideas that you have not had before.

Just what is business life insurance? Business life insurance is merely life insurance used to meet the hazards of loss by a business from the death of someone associated with it. This type of life insurance involves nothing new or different from the basic life insurance policies and provisions, but it does require a special application of these provisions to meet the problems peculiar to the business. It usually involves more than the simple act of taking out a personal life insurance policy payable to the business. The many legal, financial, tax and technical complications require careful study of the case by experts, with each business life insurance policy, in effect, custom-tailored to the particular business.

There are numerous specific purposes for which business life insurance is written. Chief among these are: key-man protection to reimburse for loss or provide replacement in the event of the death of a key employee; partnership insurance to retire a partner's interest at death; corporation insurance to retire a shareholder's interest at death; proprietorship insurance to provide for maintenance or continuation of a business upon the death of a sole proprietor; and, insurance to aid the firm's credit status, covering the owner or key-man during the period of a loan or the duration of a mortgage on property held.

THE business contemplating the establishment of a business life insurance plan faces technical problems that call for advice. The usual procedure is to consult with three experts who can make certain that every angle of the firm's interests is being safeguarded. These three men are: the firm's attorney, its tax expert, and its life insurance man. The life insurance man gives the technical advice concerning the arrangement of policies, while the first two provide the essential information on which the plan is based, and double check it when it is completed.

The Bureau of Economics and Business Research of the University of Illinois recently conducted a survey on the extent and use of business life insurance. The survey covered typical small cities in Illinois. Although the completed report will not be released until later, the following results have been announced: three out of five business units have no business insurance of any type; 40% of those who do not have it have never heard of key-man insurance, and 37% had never heard of the use of life insurance for the continuation of a business in the event of death.

The survey also shows that 90% of life insurance agents in the business more than 10 years devote less than 25% of their time to Business Insurance and only 50% had ever sold a Business Insurance case, even though 57% had access to the advice of a Business Insurance Specialist.

SUCH figures corroborate the results of previous surveys, and prove that business men are still unaware of the importance of business insurance. They also show that many life insurance agents still shy away from business insurance in spite of the proven opportunities for profit to themselves and for service to American businesses. Apparently they think that business insurance is complicated and is, therefore, a field only for experts, even though successful agents have repeatedly stated that business insurance is simple and easy to sell.

A successfully operating business organization, whether a proprietorship, partnership, or corporation, and whether large or small, has a value as a going concern that is considerably greater than the value of the net assets gathered together in the particular unit. But when the organization is allowed to become inactive, to close its doors, this "going value" is lost to both the owners and the community.

As credit men, you are concerned with the problem of whether a business will continue as a "going concern" or whether you will file a claim with the executor of an estate or trustee for the assets of the business and wait your turn, even though the assets are ample to secure eventual payment of the indebtedness. Then, too, you are in-

terested in the continuous operation as "going concerns" of all of your firm's customers for therein is contained the seeds for your own firm's future successful continuous operation.

PROPRIETORSHIPS, largely because they represent the simplest form of doing business, greatly outnumber all other forms of business organization. There are literally millions of them in the United States alone. Consequently, and notwithstanding the fact that most of them are properly classed as "small business," proprietorships in the aggregate carry on a substantial portion of the country's total economic activity. In the case of a proprietorship which is an unincorporated business organization owned by one individual, it is obvious that upon the owner's death the danger of losing this "going-concern" value is imminent unless special provisions have been made for the continuation of the business.

Under ordinary circumstances the laws applying to decedents' estates will require his enterprise to be closed out promptly by his executor or administrator. The proprietor, however, need not subject his business to this calamity and his heirs to the losses certain to follow such a procedure, for he can provide by will for the limited continuance of the business and thereby lessen the losses. In many cases he can set up an insured business continuation agreement with one or more of his key employees that will assure that his heirs receive the full "going-concern" value of his proprietorship.

The primary sources of credit for a sole proprietorship are the integrity, ability and industry of the proprietor. His death removes these. Therefore, there should be ample indemnification in event of his premature death. The continuation of a business enterprise after the death of the sole proprietor is by no means as simple as it would appear upon casual inspection, but with competent legal and tax advice and with the proper application of business life insurance practically all of the hazards, save the ordinary ones of conducting any enterprise for profit, are either eliminated or greatly minimized.

A KNOWLEDGE of the fundamental nature of a partnership is prerequisite to an understanding of the problems involved in arriving at the most satisfactory plan for the continuation of the partnership business on the death of a partner. The Uniform Partnership Act contains the following concise definition: a partnership is an association of two or more persons to carry on as co-owners a business for profit.

A partnership is created only by means of a contract between the persons thereby associated as partners. This contract may be oral or written. When the agreement is in writing, which is always advisable, the instrument is usually known as the "Articles of Partnership." However, a startling number of firms are found to be operating under nothing more than a loose verbal agreement, or sometimes with no agreement. Good legal "housekeeping" and common sense for a partnership demand operation under written articles, and partners should be urged to have their attorneys draw these agreements if this has not been done. Caution—I said attorneys. Businessmen should never attempt to practice law by drafting agreements as important as these in any effort to save attorneys' fees. This is indeed false economy.

A basic general rule on partnerships may be stated as follows: "Each partner is fully liable for any contract, wrongful act, or omission, whether the liability is created by himself or by any other partner, while acting in the ordinary course of the business of the partnership or while acting with the authority of his co-partners."

THERE are two fundamental types of partnerships; the general partnership and the limited partnership. For the purposes of this discussion we will limit ourselves to the general partnership, since the general partners or managing partners in a limited partnership are in the same position as if it were a general partnership, and limited partnerships are relatively few in number as compared with ordinary or general partnerships.

Before leaving the subject of limited partnerships, however, one point should be emphasized. On the death of a general partner of a limited partnership, the surviving general partners occupy a less favorable position than would be the case had they been partners in an ordinary partnership. In either case the partnership is automatically dissolved, and unless alternative measures have been set up in advance or can be quickly improvised, the affairs of the enterprise must be wound up promptly and the deceased partner's share of the remaining assets must be paid over to his executor or administrator. When this liquidation process has been completed in the ordinary partnership, the surviving partners and the estate of the deceased partner share the remaining assets with precedence, but, in a limited partnership, the assets remaining after the firm has been liquidated and creditors paid off are first used to pay the limited partners their profit and to return their contribution. Last in line come the surviving general partners and the estate of the deceased general partner to divide what remains. Thus, the general partners in a limited partnership have an even greater need for a solution of the problems brought about by the death of a general partner than is the case when a death occurs in an ordinary partnership.

THE partnership form of conducting a business does not, in and of itself, guarantee continuity of the business as it exists today. In fact, death destroys effectively, automatically and permanently the partnership as it now exists. When death comes to one firm member, the surviving partner or partners face liquidation or reorganization of the business. One or the other is inevitable. However, the choice between these alternatives will *not lie* with the surviving partner, but with the heirs of the deceased partner in the final analysis. If liquidation is chosen, the procedure is prescribed by law and the probable losses are many and severe.

If reorganization is chosen, the procedure is likely to be dictated by the heirs, and must take one of the following forms:

1. Taking in the heirs as new business partners;
2. Taking in the buyer of the

heir's interest as the new partner in the firm;
3. Sale of the surviving partner's interest to the heirs;
4. Purchase of the heirs' interest by the surviving partner.

The hazards involved in each of these reorganization plans and the difficulties that must be faced are many. Business life insurance provides a simple solution to all of the problems, and avoids all of the hazards which must otherwise be faced. Life insurance, providing the funds for the surviving partners' purchase of the heirs' interest under a binding Buy-and-Sell Agreement, provides living benefits to the member partners, in addition to its solution of the problems that arise at death.

In view of the legal complexities as well as natural hazards, resulting in a partnership upon the death of a partner, it must be obvious that a partnership formed without competently drawn Articles of Partnership as well as a binding Buy-and-Sell Agreement financed by business life insurance is a rather hazardous credit risk. Even if the assets of a partnership undergoing forced liquidation are sufficient to satisfy the claims of creditors there might very well be quite a delay in the settlement of outstanding accounts, with the permanent loss of a customer, when good advice from well-informed sources might result in arrangements so that, whatever the contingency, the business would survive.

IN THE interest of space, I will presume that all readers know what a corporation is, and for the purposes of this discussion we will concentrate on Close Corporations. In a presentation of this kind only a few of the high points can be treated. We have previously discussed some of the difficulties and problems encountered in disposing of partnership and proprietorship interests at the death of a sole proprietor or a member of a partnership business; now let's see what happens with the death of a stockholder in a close corporation. The first step in any such analysis is to find out just what happens to the interest of a deceased stockholder in a corporate business enterprise at his death, as well as just what actually happens to the corporation itself.

When a close corporation stockholder dies, the corporation itself continues in uninterrupted legal existence. Unlike the partnership situation, the death of a stockholder does not automatically spell the death of the firm. The result is a mistaken impression that the firm continues to operate without change. The fact of the matter is, however, that exactly the same problems arise at the death of a stockholder in a close corporation that arise in a partnership with the death of a partner, save only the automatic termination of the business and the legal requirement of liquidation of the firm's affairs. This is true because a close corporation is in essence an incorporated partnership, and while the business continues its legal existence, the management personnel inevitably changes when a stockholder dies.

Incorporation of the business would solve but one of the problems which comes to the partnership at the death of a partner; that is, the problem of forced liquidation of the business. But *reorganization* is just as inevitable as ever. In fact, there is nothing else to do. The interest of a deceased stockholder passes to his estate and through the estate to his heirs just as the interest of a deceased partner, and with the exception of forcing immediate liquidation of the business, the heirs are free to do the same things with the deceased's stock interest that they are free to do with the partnership interest.

SOMETIMES, in such forced liquidation, the surviving partner is able to withdraw part of his investment in the firm, get out of the business and start over again by himself, but the surviving close corporation stockholder has no such chance. He must buy out the heirs, sell out to them, accept them into the firm, or accept the purchaser of their stock into the firm if they sell elsewhere. *Unless he has the cash to buy out the deceased's stock interest and a contract which insures his purchase of that stock at a fair price, he faces exactly the same reorganization problems that the surviving partner faces.*

In the absence of prior arrangements, looking toward continuation of the close corporation business at the death of a stockholder, some plan must necessarily be adopted by the parties to make certain that management control will remain in the surviving stockholders' possession. Two procedures may be followed: the first, quite widely used, is the execution of reciprocal options to purchase, between the stockholders, so the shares of no firm member can be sold to any outsider without first being offered to the other firm members or the corporation; the second, far more effective and certain in its results, is the execution of a binding Buy-and-Sell Agreement between the stockholders, supported and financed by life insurance.

UNDER the first plan, stockholders enter into agreements under which they give each other, and sometimes the firm as well, a binder option to purchase the shares of any firm member before selling to an outsider. Occasionally these options to purchase are contained in individual agreements between the stockholders, but more often they consist merely of provisions in the corporation by-laws covering disposition of the shares of any stockholder and requiring an offer to the other stockholders of the company and usually to the corporation as well, before sale of the stock to any persons outside this group. Sometimes the option will be automatic with the death of a stockholder but more often it will apply only in the event a stockholder or his successors in interest attempt to dispose of their shares to someone outside the present ownership group and their respective families.

The other plan, that is the execution of a binding "Buy-and-Sell" agreement between the stockholders, provides that the interest of any member of the firm who dies shall be sold to and will be purchased by the surviving stockholders or by the firm at a value agreed upon by the parties and stipulated in the agreement. It also provides for the establishment of some sort of a sinking fund which will provide sufficient cash automatically with the death of any firm member to insure the prompt execution of the agreement and to guarantee that the surviving parties will have the money

(Continued on Page 29)

LEGAL NOTES AND NEWS

of interest to financial executives

Reviewed by Carl B. Everberg,
Assistant Professor of Law, Boston University

Proposed Changes in Bankruptcy Law

A BILL, H. R. 3111, passed in the House of Representatives last June, but up to the moment of this writing still in Committee in the Senate, contemplates several far-reaching changes in the Bankruptcy Act, chief of which perhaps, is an amendment to the second act of bankruptcy—there being six in all. This act is the so-called "preference" act. The change, if made, will be somewhat desirable to creditors because it will eliminate one burden always facing a creditor, under the present law, who joins in an involuntary petition against a debtor. The old law (the present one if not amended at this time) provides the second act of bankruptcy to consist of the following:

"transferred, while insolvent, any portion of his property to one or more of his creditors *with intent* to prefer such creditors over his other creditors." Bankruptcy Act, sec. 3a. (2).

Three elements must be shown: (1) a transfer of property to a creditor or creditors within four months of the bankruptcy; (2) the intent of the debtor to prefer such creditor or creditors; (3) the insolvency of the debtor. A creditor sometimes shrinks from signing a petition against a debtor because he may become involved in litigation over the two questions of insolvency and intent of the debtor to prefer a creditor. For the debtor may file answer and deny that he had the necessary intent. Thus the creditor may be put to it to prove that essential element in the act of bankruptcy.

Under the amendment the defense of intent will be taken from the debtor. The amendment will leave only the transfer (which may consist of any payment, however small, made to a creditor within four months of the bankruptcy) and the insolvency of the debtor, to constitute the act of bankruptcy. The dropping of the debtor's intent to prefer will simplify this act of bankruptcy and leave only one real issue to confront a creditor who joins in an involuntary petition in bankruptcy—that of insolvency. This is largely so because the second act of bankruptcy is by far the most expedient and commonly used ground for an involuntary petition.[1]

Regulation of Collection Agencies

SOME activity is afoot again in various parts of the country toward the curbing of certain operations of collection agencies. As yet the full scope of it is not apparent.

In the latter part of July, 1949, the state of Wisconsin enacted a "Collection Agency Law," requiring a license to be issued by the Commissioner of Banks. The initial fee is $100 and the annual fee thereafter is $50. The Commissioner may require the filing of a bond and he has power and authority under the Act to conduct, at any time, investigations as to the character and nature of the business conducted by the agency. The agency's place of business, book accounts, papers, records, safes and vaults are to be open to the inspection of the Commissioner or his deputies.

One of the small paragraphs of the Act gives the Commissioner power "to make all necessary or proper orders, rules and regulations for the administration and enforcement" of the Act. One order, issued after the effective date of the new law, and under this regulatory provision, prescribes the methods of handling accounts; the forms and agreements used in conducting the business must be approved by the Commissioner.

AN Outline of Policy adopted by the Banking Department in administering the Collection Agency Law limits one function which collection agencies once assumed as an unquestionable incident of their business, namely that of making the selection of, and employing, attorneys when that became necessary in the collection of an account. Whether such regulation absolutely forbids the sending of an account by an agency to an attorney under any circumstances is not, to this writer at least, quite clear.[2] The Commercial Law League of America formulated, in collaboration with the American Bar Association, in 1937, certain Principles which are a prototype of the regulations by the Wisconsin Banking Department. The effect of the Principles was somewhat modified by "Recommendations" of a Special Committee of Collection Agencies wherein it was suggested that if the creditor decided upon an attorney in a given case, after making a choice of several submitted by the agency, then the agency had the right to forward the claim to such atorney. Other Recommendations provided that the attorney thereafter should commu-

[1] An instructive article on the matter may be found in Keeping Abreast of the Bankruptcy Act, Professor Bertram K. Wolfe, January, 1950 issue, Commercial Law Journal (Chicago).

[2] Since the above was written, a letter has been received from John F. Doyle, Esq. of the Banking Department of the State of Wisconsin in reply to the writer's letter of inquiry, stating: "In reply to your letter of February 7 we wish to advise you that there is nothing in the collection agency law which would prevent a collection agency from forwarding accounts to attorney for collection." While this is welcome news to collection agencies it does not mean that any conditions heretofore imposed on forwarding are not applied.

nicate directly with the creditor, unless the creditor designated the agency to act for the creditor as an agent, in which event copies of the correspondence and remittance slips should be sent to the creditor by the attorney. The forwarding of claims between agencies and attorneys has been carried on, since the effective date of these Principles and Recommendations, in harmony with such governing Principles and Recommendations (except in cases of violations thereof, if any).

In the Wisconsin Act, the term "collection agency" does not include "attorneys at law authorized to practice in this state and resident herein, banks, express companies, building and loan associations organized under the laws of Wisconsin, insurance companies and their agents, trust companies, or professional men's associations collecting accounts for its members on a nonprofit basis, where such members are required by law to have a license, diploma or permit to practice or follow their profession, real estate brokers, real estate salesmen and justices of the peace whose principal business is not collections." s. 218.04.

THERE is at this writing a bill pending, in the House in Massachusetts (House Bill 1736), which would require any person, (not an attorney licensed to practice in Massachusetts) partnership or corporation, whether a bank or trust company, engaged in the business of collecting or receiving payments for others of accounts or bills, to obtain a license and furnish a bond. This bill is amendatory of an Act already in existence, which, in conjunction with another Act pertaining to unauthorized practice of law by corporations or associations, has already kept collection agencies and other lay agencies confined to a definitive range of activities in Massachusetts.

The proposed bill in Massachusetts contemplates a close supervisory control over the operations of collection agencies by the Banking Department, and in some respects it is similar to the Wisconsin Act. It carries a short regulatory paragraph saying that "The Commissioner may from time to time promulgate rules and regulations for the proper conduct of the business."...

COMPARING this bill with the Wisconsin Act it may be observed that there are no exemptions in favor of banks, insurance companies, etc. Apparently any individnsual or firm, not licensed to practice law, will be subject to the provisions of the proposed law, if the business of such individual or firm includes collecting or receiving payment for others of accounts or bills.

That the Commissioner will "promulgate rules and regulations" concerning the forwarding of claims by collection agencies to attorneys is to be expected if the bill becomes law. This issue has been the burning one in all previous agitations concerning the area of a collection agency's lawful activities.

The Supreme Court of Massachusetts construed the existing statutes and precedents pertaining to the forwarding of items to attorneys by collection agencies in *Matter of Lyon*, 301 Mass. 30,36 (1938) as following: Qua, J.

"The thirteenth paragraph of the order [of the single justice hearing the case] ought not to have restrained the respondents from forwarding claims for collection, at the request and as mere agents of the patron, to attorneys at law selected by the patron and between whom and the patron the full and direct relation of attorney and client shall exist. The respondents must not in any sense interpose themselves between the patron and his lawyer. They must not control the lawyer's conduct of the matters in his charge, or give him directions, or 'split fees' with him, or receive any commission upon his fees or hold him out as their attorney."

Neither the outcome of the proposed bill nor what rules and regulations would be promulgated in the event it passed can at this time be predicted. The matter will be reported herein when there is anything further of interest.

Speaking of Collection Agencies

The recent case, *Columbia Outfitting Co. v. Freeman*, 211 P. 2d 640, District Court of Appeal, First District, Division 1, California, leaves one fairly goggle-eyed over the volume of collection business produced by one retail store. Other features in the case are of interest to a credit man, whether in a wholesale or retail establishment.

Defendant had collected accounts for plaintiff for several years making oral agreements with successive credit managers under which he was to keep 50% of all principal collected, he to advance all necessary costs of suit where necessary. Plaintiff had customers and guarantors sign a card binding them to their obligation and there was incorporated, in the language printed on the card, a waiver of the statute of limitations. The accounts turned over to the collection agent ranged from several months old to as much as 20 years old.

The collection agent, when he received accounts, first eliminated the accounts he thought incapable of collection because of bankruptcy or death, etc. If he failed to make collection through the usual method, he would turn the cases over to one of "his attorneys" for the filing of appropriate action. He frequently took assignment of the contracts from plaintiff in order to maintain the actions. These asignments were generally signed by the credit manager of plaintiff.

IN 1946 plaintiff employed a new credit manager, and first obtaining authority from the general manager, he made a formal demand upon all agencies handling plaintiff's accounts to return all the claims and make accounting in their respective hands. The purpose of this was to aid in ascertaining the status of the delinquent accounts, of which there were, as will be shown, several thousands.

Before the defendant turned back the accounts in his hands the new credit manager had determined that his service had been more efficient than that of any other agent, and decided to revoke the order to return the accounts and, in fact, he wanted defendant to take over all accounts thereafter. Defendant said he could not go on without a written contract, whereupon, at some one's suggestion, defendant had a contract drafted by his atorneys, which was in the form of a letter addressed to the collection agent by the plaintiff. After reading the draft to the credit manager on the telephone, defend-

ant had the credit manager sign it.

The letter stipulated that defendant was to have the exclusive rights to work the accounts of plaintiff, and he was to retain 50% of all principal collected and all interest, all costs of suit to be advanced by defendant. These latter costs were to be returned to defendant out of the first moneys collected. The letter also stipulated that plaintiff had the right to recall accounts from the agent, but in that event, defendant was to receive all costs which defendant had advanced and *also full commission on the principal sum due on the recalled account or accounts.*

DEFENDANT, in the action which arose between him and plaintiff, testified at the trial that he had examined 25,000 delinquent accounts in plaintiff's files and came to the conclusion that about 8000 were possible of collection. There was a conflict of testimony here, however, as plaintiff's witness said there were only 8000 in all. Nevertheless, defendant did process some 8000 accounts. Defendant filed action on 1000 accounts at first and he remitted about $2300 per month for a time. Later defendant was prepared to file actions on another 1000 accounts.

In March, 1947, the general manager of plaintiff became dissatisfied with some of the more aggressive methods employed by defendant. He was particularly annoyed by the publicity given a mandamus action brought by defendant against a judge of the Municipal Court who had refused to enter default judgments against delinquent debtors on the ground that the waiver of the statute of limitations was void. [It was held later that defendant was correct in this respect, in his legal position—but see *National Bond & Investment Co. v. Flaiger*, 322 Mass. 431, 77 N. E. 2d 772, in which it was held that an agreement in a note not to set up the defense of the statute of limitations is void as against public policy.] Plaintiff's manager then wrote defendant asking him to continue on the case on which suit had been filed and to return all others.

Defendant returned 3609 accounts. The returned accounts aggregated $138,188.60 and defendant demanded $69,761.63 under the provisions of the written contract which provided for full commission on the principal sum of accounts recalled. Plaintiff's attorneys refused to recognize the claim but tendered the accounts back which defendant then refused to accept back. Plaintiff then brought suit for one-half of what defendant was then holding on collections but defendant cross-complained for the amount claimed by him under the contract.

THE legal issues in the case may be of considerable interest to credit men. The first one was—did the credit manager of plaintiff have authority to sign the written contract pertaining to collections? As to this issue the court held that there was sufficient evidence that plaintiff's general manager had invested the necessary authority in the credit manager. Nevertheless, the court said the credit manager as a matter of law had ostensible, if not actual, authority. Ostensible authority is predicated largely on the belief which a third person is justified in possessing, as to an agent's authority. The belief of the authority in this case was generated by the acts of the plaintiff throughout the years and of its duly authorized officers and agents. But the plaintiff countered by saying that a third person should not believe that an agent has authority to agree to pay something beyond what is reasonable. Here the court said, however, that when a third person believes in the ostensible authority of an agent, he is not bound by any limitations or restrictions as to what an agent may reasonably or unreasonably do.

The trial court below had held, among other things, that the contract was "unconscionable and therefore unenforceable." The appellate court did some commenting on this kind of a contract and said that there could be a contract "such as no man in his senses and not under a delusion would make on the one hand, and as no honest or fair man would accept on the other." But that was not the situation here, said the court, for both plaintiff and defendant had had years of experience growing out of the collection business.

The appellate court found that defendant was not entitled to one half of all the 3609 accounts returned, however. He was entitled to all costs advanced. As to the 1000 accounts he had decided to take action on, he was entitled to 50% of the principal amount of these. But if defendant had determined that over 2000 of the accounts were uncollectible he was not entitled to any portion of them. Defendant would have been required to return such accounts immediately as soon as he had ascertained the fact that they were uncollectible. He should not be permitted to gain an advantage by retaining them in his files.

Holding a Check for a Disputed Amount

What is the effect if a creditor holds a cashier's check an unreasonable length of time which is less than the amount claimed but there being a bona-fide dispute between the parties?

IT HAS been reported in these articles several times that a creditor cannot use a check for less than the full amount claimed by him without being bound by the condition that it be accepted in full payment, where there is a bona-fide dispute as to the amount owed. In the case of *Tarrant Wholesale Drug Co. v. Kendall*, 223 S. W. 964, (Court of Civil Appeals Texas, Oct. 19, 1949) the question was a little different. The debtor obtained a cashier's check for less than the amount claimed by creditor and made it a condition that the check constituted full payment. The creditor did not use the check but held it during the 2 years that it took for the hearing to come up which was the result of the suit brought on the total price. The court held the jury had been justified in finding that where the creditor failed to return the cashier's check in settlement of a disputed claim within a reasonable time it amounted to acceptance of it, notwithstanding the creditor had informed debtor that it was refused and not accepted except as part payment of the debt.

The court added that the creditor under such circumstances must either return the check or accept it with the condition. The creditor could not deprive the debtor of the use of the funds, the court said, and at the same time insist that it was refusing the offer.

Books

"The Scientific Appraisal of Management". By Jackson Martindell, President of the American Institute of Management.

CREDIT executives will find in this book a valuable appraisal of the difference between success and failure in business management. As a management consultant, the writer urges executives to weigh carefully the management factors that might be responsible for causing a business to operate in the "red."

Some of the most important of these factors are the composition of the Board of Directors, the corporate organization, the financial structure, the dividend policy, the production record and the degree to which management operates on a functional basis. Stress is put on the use of research as it applies to business "when deliberation, control, and coordination have been introduced. . . . Evaluation of management in terms of the research work which it fosters reduces itself to this question. A management either has perceived the trend and has adjusted its activity correspondingly or it continues in its conservative ways, leaving research, with all its rich prizes, to others. In so doing it condemns the enterprise under its control to a slow but very sure death."

OF particular interest to credit executives is Chapter 6, entitled "The Financial Administration As A Measure of Management." The author applies sound economic thinking when he points out that the conventional corporate analysis by means of comparative financial statements should be substituted by a more modern method. Mr. Martindell suggests the comparison of capitalization and profit and loss items at both the beginning and end of each significant business cycle in a company's business history. He stresses the necessity for business executives to look beyond unanalytical factors in the comparative financial statement approach to

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The Graduate School is your

PATH TO ADVANCEMENT

by Dr. CARL D. SMITH

Director of Education, National Association of Credit Men

THE Graduate School of Credit and Financial Management is sponsored by the National Association of Credit Men, the National Institute of Credit and the Credit Research Foundation. It is designed to help all qualified credit and financial executives prepare for the long look ahead.

Going into the second half of the 20th Century, every executive and every company must be prepared for all kinds of change. And the future of every management executive will depend on how well his company adjusts itself to changes and his own contribution to his company's adaptation.

As a refresher course the Graduate School will give the seasoned management executive a better understanding of the economic and political changes which may be ahead, and point out the concrete things which must be diagnosed and constantly scrutinized and re-evaluated in order to maintain a profitable and financially stable enterprise.

As a planned training program the Graduate School will help the seasoned executive save time and money in properly training qualified associate and assistant executives to meet each new management responsibility. In sending these executives to the School, management should keep in mind that they will be stimulated to think about their own work and its relation to other phases of the business in a way that they probably have not thought before. Their knowledge of credit and financial department functions will be greatly expanded and they will see these functions in a new relationship to the operation of other departments within the organization. As a result of these new viewpoints they will have the opportunity to evaluate the present methods of operation for which they are responsible in contrast with the methods in use by other firms. One important value which should not be overlooked is the opportunity that executives who attend have for the interchange of ideas, of problems and of their solutions.

ONE-HALF of the instruction time in the three year sessions (each session lasts two weeks) is given over to a consideration of the problems of credit and financial management. It is taken for granted that executives attending the School are familiar with day-to-day operations and that they possess a fundamental knowledge of economics, accounting and the techniques of commerce. It is not planned to devote time in the program to details and routine operations commonly understood by executives.

Throughout the three years the course in Problems of Credit and Financial Management is presented in two concurrent phases, financial management and credit management of business enterprises. In the first year session the consideration of financial management provides a description and analysis of financial structure and of general problems of finance. This financial phase is primarily designed to reinforce understanding of the basic principles of credit problems. Specifically, this background aspect of the work reviews financial and accounting concepts, examines long and short term problems of capital structure, and offers training in using devices of financial statement and working capital analysis.

The credit management phase of the course is based on the understanding gained in the first phase. It emphasizes the place of accounts receivable in the firm's financial structure and the importance of a sound credit policy to the health of the business. In addition, both financial and non-financial factors of credit analysis are studied and applied in the examination of actual situations.

The actual credit situations are presented in the form of cases and problems. Some of these, after individual study, are analyzed in discussion by the class as a whole. Other cases are designed to be presented by teams of class members preliminary to general discussion. Certain cases are used in both phases of the course in order to emphasize the close relationship between general problems of financial management and the more specific problems of credit management.

IN the second year session the course continues a development of the analytical training begun in the first year's work and follows the same plan of concurrent phases devoted to credit and financial management. The financial phase considers long-term capital problems, the sources and uses of working capital, and certain special working capital problems related to inventory depreciation and dividend policy. The credit management phase is devoted to intensive case analysis based on the first year's work and on the second year's study of financial management. Cases deal with the credit interview, determining credit limits, seller and customer factors in credit analysis, problems of special arrangement with marginal customers, and other more general problems of credit.

AS in the first and second year sessions, so in the third year's session the two phases of the course are coordinated to stress both the wholeness of the financial problems of a business and the important place of credit policy in the sound operation of a business. Cases include problems of handling involved

accounts, adjustments, receiverships, bankruptcy, and particularly the rehabilitation and adjustment of businesses which face critical credit and financial difficulties. Leading executives representing various types of business will meet with the third year group and participate in the discussion of these problems.

Since the basic purpose of the School is to help men and women become more efficient credit and financial executives, constant emphasis is placed upon the values to be derived from the development of the individual's skills and understandings that are commonly characteristic of competent executives. Two practical and most popular courses are offered in the Development of Executive Abilities. To round out the program courses in the Economics of Money and Credit, Current Trends in Marketing, Management Policies and Functions, and in Economic and Business Conditions are given under leadership of nationally recognized authority.

Executives who wish to know more about the School are advised to write the Graduate School of Credit and Financial Management, 79 Madison Avenue, New York 16 for the special bulletin just off the press.

Books

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the effect of business cycles on particular businesses. By case studies he shows the importance of the vicissitudes of industrial climate in granting credit as contrasted with the firm's financial statements.

THE author makes it clear that he is not an admirer of the Welfare State program. He notes that the business enterprise is based upon the recognition of insatiable desires on the part of a world society and that the role of the successfully managed firm is to meet this demand by producing more, better and cheaper goods.

For those executives who wish to measure their own firms' behavior against suggested yardsticks of successful business, the author presents a useful appendix. It applies to the average manufacturing company rather than to a particular firm. His

questions are arranged in ten categories, executive evaluation, sales vigor, production efficiency, fiscal policies, directorate analysis, research and development, fairness to stockholders, health of earnings growth, corporate structure and economic function.

"The Scientific Appraisal of Management" should occupy an important place in the executive's library. It seems to the reviewer that this text will help you answer the question, "What qualities are inherent in successful managemnet that are part or not part of my enterprise?"

—C.D.S.

Former Presidents Take Part in Panel Meeting

Washington: Three former presidents of the Washington Association of Credit Men participated in a panel discussion February 21 which aroused much interest among the membership.

The three officers—W. R. Little, controller, Evening Star Newspaper Co.; Waldo J. Tastet, president, Fries, Beall and Sharp, and Stuart Ogilvie, vice president, Second National Bank—each gave a short address, followed by a question and answer period.

Mr. Little's address was titled "tax trends." Mr. Tastet spoke on "money and security," while Mr. Ogilvie spoke on the possibilities of world development through the credit approach.

FINANCING SMALL BUSINESS

(*Continued from Page 6*)

State Department of Education, schools, colleges and universities in order to aid in developing programs to help small business.

These are only a few of the things our Advisory Service is doing, but I think they illustrate the point that it is just as important to help the little fellow with management information as it is to provide him with the financing that he requires.

We recommend that you include such a service in your plans.

IN CONCLUSION, may I say this on behalf of small business. It is here to stay. It has survived and thrived from the earliest days of our country. Wars, booms or depressions—nothing has stifled the desire of millions of Americans to have their own business.

Dun and Bradstreet records confirm the durability of small business. Back in 1870, their reference book listed the names of 427,000 business firms—1 for every 91 people in the U. S., or 11 firms per 1,000 population. Eighty years have gone by since then. Now, Dun and Bradstreet lists 2.7 million firms—1 for every 56 people, or 18 firms for every 1,000 of population. And at least 2/3rds of even these listed firms are the small businesses we have been talking about.

This is a demonstration of faith, and of the strength of the desire which so many people have for a business of their own. This is part of our life as a nation—it is the very foundation of the system we take such pride in.

But as bankers we must do more than just admire free enterprise. We must do our part to make it work. There must be a conscientious endeavor to broaden bank services to provide for the needs of all — no matter how small—from the school saver or 4-H member to the largest corporation. We must take care of them for they are all part of the great American heritage—Freedom.

One of the best ways to broaden bank services for those who do not already provide it is through the medium of the term loan service I have described.

It permits you to serve one of the most vital elements of the American economy — the little fellow who wants to help himself. To do it you need only four things:

1. Diversification
2. Volume
3. Adequate Rates
4. An enthusiastic desire to do the job.

Whatever tools in the form of new plans or devices that are necessary must be provided and then used by more banks.

Banks must provide for all the legitimate credit needs of small business, no matter how small nor how specialized. Failure to do so can only result in more direct government lending.

This is banking's mid-century challenge—we must not fail!

HOOVER REPORT

(*Continued from Page 13*)

1704, to strengthen and improve the organization of the State Department. This bill was passed without a single dissenting vote in both houses. It was the first major measure embodying the Hoover Report recommendations to be enacted.

OTHER items of legislation embodying the Hoover Commission reports are now in Congressional Committees. For example, the Commission bill on General Management of the Executive Branch based upon the Hoover Commission report has been presented to both the House and the Senate. The Senate bill is S. 1942 and the House bill is H.R. 2613. Likewise, there is a bill on the Federal Personnel Service, and another to establish a Veterans Life Insurance Corporation. These have recently been submitted to the Congress.

Other examples of pending legislation carrying out the recommendations of the Hoover Commission are:

a) A bill in the Senate Committee on Labor and Public Welfare for the establishment of a United Medical Administration.
b) Several bills in the Committee on Post Office and Civil Service to reorganize the Post Office Department. The passage of this legislation is estimated to permit savings of approximately $256 million a year.
c) A bill in the House and Senate Committees on Expenditures in the Executive Departments to coordinate and modernize Budgeting and Accounting (S. 2054 and H.R. 5823). This legislation is estimated to permit a saving of approximately $20 million per year.
d) A bill in the Committee on Post Office and Civil Service, in the House and in the Senate, to establish a new system of personnel and management (S. 2111 and H.R. 5181).

This legislation is estimated to save $251 million per year.

THE biggest business in the world—the Government of the United States—can no longer be managed with the political instruments of the 18th and 19th centuries. Government in the United States is no longer a simple thing that can be left to political chance and mediocre administration. A 20th century economy propelled by the boundless energy of mass production industry and constantly accelerated with new advances in the field of science cannot be managed or regulated with the mechanism of a hodge-podge, unplanned, unrelated administrative establishment. The need for governmental reform and organization is imperative. It is a matter of sound economics and literally life or death for American political and economic survival. When 20% of the national income is utilized by the federal government, it is time to take stock of the means and methods which are employed in the use and expenditure of such a vast sum.

We must provide for our own citizens, but the cost of our government is running perilously high. Our task is to obtain the maximum use and production use of every budget dollar. Economy in government does not necessarily mean spending less. It basically means obtaining the most that is humanly possible out of every dollar committed to public service. The question of economy in government could well be stated not in terms of dollar appropriations, but in the use of those appropriations. The effective use of public revenues is directly concerned with proper organization of administration. Modern tools of government are no longer matters of academic theory. They are absolute essentials if we are to continue our program of social welfare, public improvement, and international leadership.

IT must be remembered that the recommendations of the Hoover Commission are sweeping and comprehensive in nature. These proposals will require time and diligent effort if they are to be enacted into law. A governmental structure as great and as large as ours is not reorganized or reformed easily or quickly. There is, however, a genuine desire and a determined will to complete the job. The success of this program is dependent upon wholehearted citizen support and active and concentrated effort on the part of the Congress.

It is for these reasons that I strongly support the basic recommendations of the Commission on Reorganization, commonly known as the Hoover Commission. This is not a partisan issue. It is not one of mere dollars or of the number of

government employees. It is an issue that runs deep into the very survival of free government and a free economy. Either we learn how to manage government, or the bigness of government will overwhelm us. Either we learn how to properly utilize the vast sums of public revenues and how to appropriately control and manage their use, or we will bleed our economy into an impoverished condition.

CENTSLESS ACCOUNTING

(*Continued from Page 10*)

entry for the difference each month to the Penny Elimination Account. We process between 6000 and 9000 bills each month on this basis. An unacceptable variance is investigated while the purchase bills and cards are together and any error corrected by repunching as required. I think the savings in effort are apparent. The processing clerk saves two digits in nearly every accounting entry on the distribution form. The card punchers make one card for each bill in the exact amount, which they would have to do anyway, but are saved two digits on nearly every card punched covering the distributions. It really adds up, and while our system is built around the tabulated method I am confident that equal or greater savings are possible if manual or other type machine procedures are used.

IN the case of our shop labor, time is reported by work areas in manhours, and tabulating cards are punched showing the account, code and sub-code, hours and area. Twice each month these cards are sorted and the hours applicable to each charge accumulated. Using an average rate established for each work area the hours are extended to rounded dollars and a labor distribution voucher is prepared. Control of distribution is maintained by check of hours worked with hours distributed. This is done each week, when time is turned in. In the case of shop labor the variance between the dollars distributed and the exact dollars and cents earned is due partly to the use of average labor rates used in costing hours distributed and partly to the elimination of the pennies in the rounding of the distribution to whole dollars. We charge or credit the whole dollars involved in the variance to our shop overhead account and the balance amounting to cents less than a dollar to the Penny Elimination Account. Distributions of salaries are expressed in rounded dollars with the variance charged or credited to the Elimination Account. Field payrolls are almost always chargeable to a particular account covering the project. Distributions of such payrolls to various codes and sub-codes are first extended in exact amounts but converted to rounded dollars when vouchered. Here we have not saved as much time as we do in our shop payroll operation, but nevertheless after the rounding operation, the subsequent use of the distributions effects substantial savings in accumulating, listing, adding and typing.

WE found that the rules covering the distribution of vendor's invoices in rounded dollars would not work when applied to requisitions for materials and supplies taken from stores inventory and put into production, consumed in the manufacturing process, or shipped to construction projects. Too many of these requisitions individually amounted to less a dollar. We rather reluctantly decided that if we used the rounded dollar principle applied to each requisition, we would run the risk of too great a variance, and that it is necessary to calculate the exact amount for each requisition. Tabulating cards are also punched for the exact amount. These cards are sorted by account distribution and run through the tabulating machine which punches a summary card for the total for each account in dollars and cents.Then these summary cards are run through the multiplier punch which automatically rounds the amounts to whole dollars. Thereafter in all cost summaries, entries, listings, etc. only the rounded dollars appear. The original cards showing the exact amounts are again sorted, this time by inventory stock account, run through the machine and summary credit cards prepared in rounded dollars which are used to relieve the inventory accounts of the value of materials issued. We are glad to have some saving in this operation and are distressed that we cannot start out with rounded dollars to begin with. So far we have not been able to figure out a way of doing so that will not require more work than the method we are using.

BILLINGS to customers are of course charged to accounts receivable in exact amounts, but the credits to revenue and income accounts are recorded in round dollars. Entries to the Penny Elimination Account are made when our billing is closed for the month. At that time the Tabulating Department furnishes summaries of the month's billing and the amount of the variance is ascertained. We are working on the principle of eventually presenting all our bills in rounded dollars rather than dollars and cents and are making progress in that direction. We have even secured customer acceptance of rounded dollar billing in the case of a few cost-plus contracts.

Journal entries covering adjustments, write-off of depreciation, prepayments and deferred charges, and accrual of various liabilities, as well as distributions and prorations of overhead expenses present no problems. They are recorded in rounded dollars with the exception of entries to the few accounts that require the use of exact amounts.

In short we eliminate pennies wherever we can at inception, and where we cannot do that we eliminate them as soon as we can without impairing substantial accuracy, so that from the point of elimination we are saving approximately the 40% I mentioned earlier in this paper. Of course this does not mean that the entire 40% saving is realized, but in five months' operation of this procedure we have been able to reduce our clerical staff by approximately 9%, practically all of which we can attribute to Penny Elimination.

THERE have been other advantages realized that are in the nature of by-products. One that is hard to measure, but we think is important and very real, is the reduction of errors. In such operations

as additions, transcriptions, classifications and distributions, errors are bound to occur. The fewer digits the clerks have to deal with the fewer chances for errors exist. No one in our company has ever kept track of the time consumed locating and correcting such errors and we are not now keeping such a record, so we have no basis for evaluating the savings, but the universal approval of the new plan by the people who are doing the work indicates that they consider their work load lightened and no doubt part of that feeling is due to the realization that it is easier to work with smaller numbers.

During my description of the Keystone Division operations I believe I mentioned that we had realized an unexpected saving in that Division. This saving is concerned with the preparation of monthly statements of operating costs of many individual units of equipment. Formerly these statements were transcribed manually from tabulating runs, balanced and proved and then typed for presentation to supervisors of operations. We found that because of the elimination of two digits of cents, we could dispense with the tabulated runoff, post directly to columnar forms using a pegboard arrangement, have the totals computed and proved by comptometer operators and send the forms still on the pegboard directly to our Stenographic Department for typing. We thus did away with one operation in our Tabulating Department, eliminated a laborious transcription job, reduced the dimensions of the forms, performed the totaling and balancing operation in a more efficient manner and the statements were out much earlier in the month than before. We are now examining a number of other operations and statements for the purpose of taking advantage of the opportunities for savings along similar lines.

If I have seemed to go into too much detail in telling you about our Penny Elimination plan, I have to say that I did so deliberately, because I thought that a brief or outline presentation would not convey my conviction that this is a step forward in practical accounting. I am sure that the principles involved are worthy of careful consideration and can be successfully applied in most businesses.

Business Life Insurance

(*Continued from Page 18*)
with which to carry out their obligations under it.

The stockholders themselves, with the benefit of advice from their attorney and their life underwriter, can draft a fair buy and sell agreement. Life insurance can provide the only sinking fund plan that will be sure to furnish the required cash to the surviving associates, in full, if death occurs tonight, a year from tonight, or many years from now.

HERE, indeed, is the perfect solution to the problem of close corporation management continuity. Any other plan is, in large part, a make-shift arrangement or substitute because no other plan carries with it equal assurance that the purposes of the plan will be achieved. This plan is simplicity itself. Life insurance is the ideal financing plan. If the surviving stockholders try to pay out of their personal resources, in addition to other difficulties, they must pay one hundred cents on the dollar in resources for every dollar of value of the deceased's interest. Under the life insurance plan, they make the purchase with discounted dollars, discounted to the extent that the premiums they have paid do not equal the proceeds used in making the purchase.

If the surviving stockholders try to take the cash from firm assets, they are in trouble! Usually the cash can be obtained in this manner only by selling inventory or other assets at a loss or at the risk of impairing the firm's capital structure and credit standing. If the surviving stockholders try to borrow the cash, they encounter the problems that result from curtailment of firm credit and, by borrowing, they will pay from four to eight per cent interest, plus the principal. Under the life insurance plan, they pay from three to four per cent interest in

premiums and never have to pay back the principal which is guaranteed to mature at death.

Life insurance guarantees a definite sum of money available at an indefinite time and the cost of that money will only be a few cents on the dollar where death occurs in the early years and will involve a substantial discount even where death does not come for many years. Only life insurance can guarantee that the same death that puts the buy-and-sell agreement into effect, will, in and of itself, provide the cash with which to carry out the terms of that agreement and make the desired purchase of the deceased's stock.

BEING concerned with the credit of "going businesses" primarily and not particularly interested in the forced liquidation of a firm's assets, with the resultant delay in settlement with creditors, you have a great deal to be concerned about in the proper establishment of necessary business safeguards. Your credit ratings are largely the result of investigations of a firm's management and thus hinge directly on the continuity of that management without handicaps or hindrances.

It might be thought that the rapid growth of group business organizations such as the partnership and the corporation would tend to minimize the individual importance in a business organization. However, the contrary is more likely to be true, because such a group enterprise generally combines the highly specialized talent of several individuals who are peculiarly trained along certain lines.

The priceless asset of every business is not its plant, nor the equipment, nor the accounts receivable. These things are valuable only to the extent that the men in the business can utilize them profitably. Nor is the *priceless asset* a substantial surplus, because that can disappear almost overnight if the men in the business use it unwisely or make a management mistake. *No, the priceless asset of every Business is found its human life values,* and not in its property values.

Every successful business, whether it be proprietorship, partnership, or corporation, has someone at its head, who by reason of experience or because of natural ability maintains the driving power. He is the "mainspring of the works," the force that makes it go.

He it is who creates that intangible but vitally necessary asset, good will, through sound and efficient executive ability, called management.

SUPPOSE this executive genius should die. Would the business suffer by reason of his passing? Could a successor take his place at once without loss either of money or of time to your firm?

Life Insurance will replace the value of such a man.

Some lines of business find it necessary to employ a technical expert. Would his loss by death result in embarrassment to the management of your firm?

Life Insurance will replace the value of such a man.

Is there, in your business, an inventor or one in possession of a secret formula or of a trade secret necessary to its existence? Suppose his passing would carry valuable secrets to the grave. Could your business survive?

Life Insurance will replace the value of such a man.

Have you a sales expert or sales director who is able to get excellent results from your sales department? Have you a buyer whose knowledge of markets is of value to your business? Have you a manager of public relations who is particularly capable as regards publicity? Have you a credit manager who judges credit risks so competently that a minimum of loss results in his department? Have you a personnel manager who is possessed of exceptional ability as an organizer and who keeps all departments of your business operating without friction?

Life Insurance will replace the value of these men.

What would happen to the business if the financial support of the silent partner or backer were withdrawn by reason of his death? If he thought well enough of the venture to loan it his money while he is alive, he should back his judgment with cash should he die.

Life Insurance will replace the value of the man.

The "key man" is vitally important to the welfare of the business. The concern may be indemnified, in part at least, by a policy contract of business life insurance.

THAT the death of an active business owner does normally result in a serious impairment of the firm's credit has already been noted in many instances in a general way, and our study of business life insurance has revealed that life insurance, even when it is not used directly for credit purposes, can bring improved credit standing to the firm through its ability to insure the continuity of the business and its solvency. But, business life insurance can perform more direct services in this respect and can be put to uses primarily concerned with improved business credit facilities.

There are three ways in which life insurance enters helpfully into a firm's credit picture. First, the maintenance of life insurance by the business or by the business man as an individual provides tangible evidence of character and indicates an appreciation of the insured's responsibilities to his firm and to his creditors. The mere carrying of insurance by the borrower, even though that insurance is in no way relative to the loan being sought, is one indication of a good moral risk and hence improves the borrower's credit standing.

Second, life insurance can be used as supporting collateral for a loan, guaranteeing liquidation of the debt in event of the borrower's death and guaranteeing certain available values in event of his default. Primarily, however, the real value of life insurance as collateral lies in its ability to guarantee payment in the event of death. If the borrower lives, there is every likelihood of his repayment of the obligation out of his earnings and income, but, if he dies, recovery of the obligation from his estate or from the business which he headed may be materially impaired. Life insurance can solve this problem.

Third, life insurance maintained by the business on the life of an active manager, employee or owner is, in and of itself, a substantial line of credit, and an available source of guaranteed loan value inherent in the policy. Irrespective of other credit facilities and any restriction of credit, generally the life insurance policy cash value may be

borrowed in times of stress and provide a guaranteed line of emergency credit.

To summarize, we have touched lightly on the uses of life insurance for business purposes to indicate how through the use of business life insurance a "going-business" can be kept that way in event of the death of the owner, manager, one of the key employees, or one of the key stockholders. The assurance of that continuity of operation is of a great deal of importance to the credit standing of that firm or business enterprise.

(Editor's note)

One reason, perhaps, why business life insurance has not been as widely used as one would expect was that the Bureau of Internal Revenue was in the habit of taxing both the proceeds of the insurance when paid to the estate and the estate's interest in the assets of a partnership, despite the fact that the whole point of the insurance was to *buy out the estate's interest in the partnership*.

However, the Tax Court, in a recent decision, ruled such action unjustified double taxation. Said the Court: "The decedent could not be taxed with an asset, as his own, at death, and, at the same time, taxed with the consideration he relinquished for that asset."

NOTICE

To the Members of

THE NATIONAL ASSOCIATION OF CREDIT MEN:

You are hereby notified that a regular meeting of the members of the National Association of Credit Men will be held on the 18th day of May 1950, at 10:00 o'clock A.M. at the Biltmore Hotel, Los Angeles, California, to take action on a proposal to amend the Certificate of Incorporation of the Association in the following particulars:

(a) Changing the name of the Association to "National Association of Credit Management", and

(b) Increasing the number of Directors of the Association.

You are also hereby notified that a proposal to revise our Constitution and By-Laws will be submitted for consideration and vote by the members during the business session on May 18, 1950 of the Annual Meeting of the National Association of Credit Men to be held in the Biltmore Hotel, Los Angeles, California.

The text of the revision of the Constitution and By-Laws, which is to be submitted for consideration at this Annual Meeting, will be published in the April issue of Credit and Financial Management as required by the present Constitution.

DAVID A. WEIR
Secretary

Dated New York, N. Y., March 7, 1950.

ASSOCIATION

NEWS

Credit and FINANCIAL MANAGEMENT

LOCAL

NATIONAL

N. W. Conference Program Promises Many Attractions

Seattle: A full program has been arranged for the 29th annual Northwest Conference to which the Seattle Association will be hosts on Thursday and Friday, March 23 and 24.

David A. Weir, assistant executive manager, NACM, and executive vice-president of the Credit Research Foundation, is the first guest speaker. He will talk on the "Human Factor in Credit." He will be followed by Wheeler Grey, of Jones, Birdseye & Grey, who will talk on Alaska laws. W. Walter Williams, chairman of the Committee for Economic Development, will be the luncheon speaker on the theme "Today's Threat to Freedom." The afternoon will be given over to group sessions and the evening to entertainment.

Friday's program will open with a past presidents' breakfast. The morning session will consist of a forum on insurance and the luncheon speaker will be Joseph A. Sweeney, attorney. E. B. MacNaughton, president of Reed College, Portland, Ore., is scheduled to speak during the afternoon session and E. C. Sammons, president of the United States Bank of Portland during the evening banquet.

Rochester Will Be Scene of District Two Spring Meeting

Rochester: The annual spring planning meeting of District Two will be held on Saturday, March 18 at the Hotel Sheraton. All presidents, secretaries, councillors and National directors from New York Associations, Philadelphia, Baltimore and the New England States were present.

The main business of the meeting was to make initial plans for the Northeast conference which is to be held in New York October 19, 20 and 21. Also members to represent the district on the National Nominations Committee were elected.

A NOTICE OF IMPORTANCE

to every member of the National Association of Credit Men appears on Page 31 in this issue.

Two Important Meetings Are Held In Cincinnati

Cincinnati: At the meeting of the Ohio State Legislative Committee on Saturday, February 18, at the Terrace Plaza Hotel, Joe Livi, Surface Combustion Co., Toledo, was elected president. All local legislative chairmen are considered as vice presidents. Paul Smalley, Newport Steel Corp., Newport, Ky., was re-elected treasurer and Harry W. Voss, Cincinnati secretary was re-elected secretary.

On the same date the regional conference committee met in Cincinnati. Representatives from Cincinnati, Louisville, Toledo, Columbus, Cleveland, Dayton, Youngstown and Pittsburgh were present. The meeting was held in order to work out advance arrangements for the Fall District Conference which is to be held in Louisville October 20 and 21. Herman S. Kessler, Standard Paper Co., Louisville, was elected chairman. Robert O. Wendling, National City Bank of Cleveland, was elected chairman, National Director E. W. Hillman, Federal Glass Company, Columbus, treasurer, and Harry W. Voss, secretary.

Amarillo: The Amarillo wholesale credit women's club met at a dinner and business session February 27 at Dell's Ranch House. The main business of the evening was the election of new officers. Named to head the organization were Mrs. Jo Black, president; Mrs. Adra Hurt, vice-president; Mrs. Doris Lieurance, secretary-treasurer. Plans were made for the installation to be held on March 13 and for the bosses' dinner on April 10.

House Votes S-88 as Amended Without Recording Feature

ADVOCATES of recordation as a requisite for establishing a preference claim, under the Bankruptcy Law, on assignments of accounts or inventories were defeated when S-88, as reported by the House Judiciary committee, was passed by the House on February 6. Although opposed by the National Association of Credit Men and a considerable minority of the National Bankruptcy Conference, the Committee, after holding extensive hearings, favorably reported the bill with an amendment which revises Section 60-a dealing with priority claims. Members of the House group discussed the bill as amended prior to its passage.

During the discussion of S-88, upon inquiry by Congressman Yates of Illinois, Mr. Hobbs, Chairman of the Subcommittee on Bankruptcy, called attention to the fact that the National Association of Credit Men had opposed the bill as amended. Congressman Hobbs informed the House that W. Randolph Montgomery, as general counsel for N.A.C.M., "one of the ablest lawyers in the field," had presented very impressive arguments in favor of the recordation requirement and that other distinguished lawyers in the bankruptcy field also had presented strong arguments in favor of recordation.

After passing the House, S-88, as amended, was referred back to the Senate for further action. It should be remembered that the vote in the House does not enact the S-88 bill into law as it must receive confirming action in the Senate and approval by the President.

Pittsburgh Branch Club Hears Talk by Professor

Pittsburgh: The Westmoreland Credit Club held its monthly meeting on Thursday, February 23, at the Penn Albert Hotel, Greensburg, Pa. The speaker was Clifford Nelson, Associate Professor of Economics at Penn State. He spoke on current changes in the field of commercial credits and collections.

Convention Time Approaches; Only Two Months Away

WHEN the registration blanks go out you know that convention time is coming close. And it *is* close, only two months away. The housing committee, the repository of convention headaches, has been actively in business since February 20 and registration supplies have been in the hands of secretary-managers since the first week in February.

A few brief facts about the convention details would not be amiss. The first and perhaps most important one is that secretary-managers are responsible for all registrations. The reason for this is that if the managers handle them, the registration and housing committees can be reasonably sure of uniformity in the method of filling out blanks.

The registration fee is $20.00, payable with registration. The same fee obtains, in accordance with past practice, for credit men, credit women and wives.

Group meetings will again occupy an entire day of the convention. Group day this year is Tuesday, May 16. Fuller details about group meeting programs may be found elsewhere in this issue. Another feature to be continued is divisional dinners. At press time it was not known how many group dinners were planned, but if last year is anything to go by there will be several.

> Chicago: G. T. Thomas, The Sherwin-Williams Co., president of the Chicago Association of Credit Men, addressed the Business Industry and Education Conference February 10 at Rockford, Ill. His subject was "Business and Education—Are They in Step?"

Midwest Food Credit Conference Attracts Many to Chicago

Chicago: The 11th annual Midwest Food Conference was held Friday, February 24, at the Sheraton Hotel. Sponsored by the food manufacturers and allied lines credit group of the Chicago Association of Credit Men, the conference attracted food credit men from all parts of the Midwest.

Among the speakers were Carroll A. Teller, attorney; Joseph T. Meek, executive secretary, Illinois Federation of Retail Associations; A. L. Jones, assistant treasurer, Armour & Co., a past president of the Chicago Association; Theodore Stempfel, vice president, E. J. Brach & Sons, and E. B. Moran, Central Division Manager, NACM.

Industry Meetings

Tuesday, May 16, 1950

by ROY WORTH

The Electric Corporation, Los Angeles, Calif.
Chairman of the Industry Meetings Committee

Full Convention Program on Page 41

WHAT an Opportunity! Los Angeles! The Pacific Coast! The most talked about section in the country today! An area where industrial growth during the past four years has exceeded that of any other section of the country, where business failures exceed any other section of the country.

You, as Credit Executives, are interested in knowing the soundness of this industrial expansion. Will it continue, and to what degree?

What problems do they have in the extension of credit that are different from those we face in other parts of the country?

Are these business failures a phase of this rapid growth, and will they continue to increase or decrease in volume?

The Industry Group Meetings held in connection with the 54th Annual Credit Congress at Los Angeles, May 14-18, 1950, will give you an unprecedented opportunity to meet and talk with your brethren of the Pacific Coast who are daily facing and coping with these problems. From your discussion you can probably find the answers to many perplexing questions.

The pioneer days of the West are recent in comparison to those of the Eastern and Central states. This is true from the standpoint of settlement and more so from the standpoint of industrial development. Credit Men have also been forced to pioneer—to meet issues developed by circumstances. It may be from them new thoughts can be gleaned and from this meeting another forward step be taken in Credit.

Don't overlook this opportunity.

Be there—Los Angeles, May 14-18. And don't miss the Industry Group Meetings—Tuesday, May 16, 1950.

* * * *

MANY of the Industry Meeting programs are already complete, and others are fast reaching that stage. The chairman of each meeting has directed his efforts toward incorporating in his program those items of particular interest to his industry at this time. With changes taking place daily throughout all industries, which require new plans, new ideas, the Industry Meetings are designed primarily to permit the exchange of ideas and the dissemination of information on these new problems and the proper methods of meeting them.

Following is a brief resume of each Industry Meeting program in so far as it is possible to report on them from information available at this time.

•

Advertising Media

The morning session of this meeting will consist of a formal talk, which will open the meeting, with the balance of the Session devoted to a discussion period under the title "What Is Your Big Question?".

Paul C. Smith, editor and general manager, San Francisco Chronicle, will present an interesting subject, to be announced later.

In the discussion period, the delegates will be asked to present their problems for discussion by the group, whereby the person submitting the problem or question will receive the benefit of the combined thinking of the industry members.

The afternoon session will get under way with a talk presented by Adamantios Th. Polyzoides, Ph.D., instructor of journalism and international relations, University of Southern California. The subject of Professor Polyzoides talk is not available.

Arthur F. Gerecke, credit manager, the St. Louis *Post-Dispatch*, will talk on the subject "Ten Years of American Behavior".

Two subjects to be discussed in open forum fashion will be "When Do You Require Weekly Payments—Cash In Advance?" and "Radio's Question and Answer Period".

The meeting will be concluded with an entertainment period presenting Hollywood radio and/or television talent.

Automotive

The program for the Automotive Industry Meeting will include a number of addresses by prominent and effective speakers on subjects of interest to the industry, including the following: "Credit Reporting" by R. A. Duncan, district manager, Dun & Bradstreet, Los Angeles; "Tax Liabilities As a Factor in Credit", by C. A. Pearson, C.P.A., Lybrand Ross Brothers & Montgomery, Los Angeles; "Credit Trends in 1950" by H. M. Kraft, executive vice president, Farmers & Merchants National Bank, Los Angeles; and "Goodwill Incorporated" by C. W. Cayten, credit manager, General Tire

& Rubber Company, now of New York City.

The Afternoon Session will be devoted to an open forum period. The moderator will be H. G. Albrecht, credit manager (ret.), A. C. Spark Plug Division, General Motors, Flint, Mich. The following credit executives will serve on the panel to lead the discussion on subjects relating to credits, collections, systems and methods: Louis S. Stephens, credit manager, Electric Equipment Co., Los Angeles; Lee Goodman, credit manager, Kay and Burbank Co., Los Angeles; and Kathryn M. Sirc, treasurer, Edgar A. Brown, Inc., Cleveland. This will permit all those in attendance the opportunity to express themselves and also to discuss subjects of importance to them.

Bankers

As its part in the program of the 54th Annual Credit Conference of the National Association of Credit Men, the Southern California Chapter of the Robert Morris Associates has arranged for an informal reception and open house for the visiting bank delegates to the Conference. The affair is scheduled for the afternoon of May 16, between the hours of 5 and 7 p.m., at the University Club of Los Angeles.

Brewers, Distillers and Wholesale Liquor

Sidney Levy, Park & Tilford Import Corp., Los Angeles, who is chairman of the Brewers, Distillers and Wholesale Liquor Industry Group assures a program of interest and practical value to all delegates in attendance.

The program is not complete but already it shows definite signs of real value. Mr. Curtis Palmer, formerly of the California State Board of Equalization, now with Alfred Hart Distilleries, Inc., will speak on the subject, "The Liquor License As a Creditor's Asset". He will also include in his discussion a résumé of the problems encountered in connection with California liquor escrows, and make suggestions for a model mandatory escrow statute which could be used in several states. Mr. Palmer's talk should prove of considerable interest to all.

One of the vice presidents of the Bank of America is expected to address the meeting on the subject "Bank Credit at the Wholesale and Retail Level". The group will also hear one of Los Angeles' top ranking bankruptcy attorneys speak on "Bankruptcies". A leading credit executive in the industry will be selected to talk on "Cooperation Between Creditors in the Handling of Troublesome Accounts, etc.", and "The Establishment and Maintenance of Proper Sales Terms". These two latter subjects will start the ball rolling on open forum discussion and on many other subjects of interest to the industry.

Building Material and Construction

Information received from Chairman Harold H. Gloe, Morrison-Merrill & Co., Salt Lake City, indicates a very interesting and informative program is being arranged for this meeting.

The meeting will open with a presentation by a speaker of prominence on a subject of timely interest to the industry. There will be an open forum period for separate classifications. Mr. Glenn F. Ballard, Minnesota and Ontario Paper Co., Minneapolis, will be the discussion leader on "Manufacturers". On "Carload Wholesalers" the discussion will be led by J. A. Solinsky, H. H. Robertson Co., Pittsburgh, Pa. On "Jobbers", the discussion leader will be Thomas J. Stodola, Cadillac Glass Co., Detroit. Jack Desmond, Consolidated Lock Products Co., Los Angeles, will be the discussion leader for all other classifications.

The afternoon Session will be devoted primarily to open forum and panel discussions, following the opening presentation—a formal talk, subject and speaker to be announced later. The first panel discussion in the afternoon will be on the subject "Collections", discussion leader to be announced. The meeting will conclude with an open forum and panel discussion of subjects to be presented by the delegates. The discussion leader for this portion of the program will be J. Wilbur Morrison, Hogan Lumber Co., Oakland.

RECOGNITION!

Dallas: O. W. Grosskopf, division credit manager, Pillsbury Mills, Inc., who recently was re-elected president of the Dallas Wholesale Credit Managers' Association, is shown (left) as he was presented with a certificate of achievement at the end of his first term. He was also presented with a Fellow Award from the National Institute of Credit.

Both presentations were made by National Director Charles W. Cayten, General Tire & Rubber Co. This was Mr. Cayten's last official act before his transfer to New York.

Chemical and Dye

The opening feature of this program will be an address by Irving Manning, vice president, Anglo California Bank, San Francisco. The subject of Mr. Manning's talk is not available at this time.

There will be an open forum and panel discussion of the subject "Differences in Credit Policies between Various Sections of the United States". The moderator will be Carl Lukas, Braun-Knecht-Heimann Co., San Francisco. The speakers and panel members will be Virgil Brown, Braun Corp., Los Angeles; Wm. Cairns, Union Carbide & Chemical Co., San Francisco; A. Wagner, Mallinckrodt Chemical Works, St. Louis; Richard Johnson, Goodrich Chemical Co., Akron; and J. C. Lynch, Pacific Coast Borax Co., New York City.

A formal talk by Carl A. Gerstacker, treasurer, The Dow Chemical Co., Midland, Mich., is the first subject on the agenda for the afternoon session.

The remainder of the program will be devoted to open forum and panel discussions. The moderator will be E. Fraigun, Harshaw Chemical Co., Los Angeles. The first subject will be "Financial Statements". The panel will consist of George Clayton, Rohm & Haas Co., Philadelphia; Gene Lessing, Mefford Chemical Co., Los Angeles, and Wm. Jessiman, Stauffer Chemical Co., San Francisco. Subject No. 2 will be "Bankruptcy—Chapter XI". The panel members will be J. H. Alexander, Monsanto Chemical Co., New York, and W. H. Walgamott, L. H. Butcher Co., San Francisco. The third subject will be "Collection Procedures". Panel members: Bob Downer, Los Angeles Chemical Co., Los Angeles, and L. C. Kennedy, California Spray Chemical Corp., San Francisco. The fourth subject will be "Guarantees and Assignments", with the panel consisting of Cliff Chaffee, L. H. Butcher Co., Los Angeles, and Jack Corkins, Shell Chemical Co., San Francisco.

Confectionery Manufacturers

The morning session of the Confectionery Manufacturers' meeting will consist of three formal talks as follows: "The Salesman Looks at the Credit Man" by George A. Kiepe, broker, Los Angeles; "Accounts Receivable in Bankruptcy", by T. W. Roberts, assistant secretary, Chicago Belting Co., Chicago; "Your Credit Letter Clinic", by Helen M. Sommers, credit manager, Trojan Hosiery Mills, Indianapolis. There will be a question and discussion period following each talk.

The afternoon session, as has been the custom for several years, will be devoted to open forum. The delegates will thus have an opportunity to participate in discussion of problems and topics of vital interest to the industry.

Drugs, Cosmetics and Pharmaceuticals

The morning session will consist of two formal speakers, with a discussion period provided at the conclusion of

these talks. The first subject will be, "The Retailer, His Needs—How Manufacturers and Wholesalers Can Best Assist the Retailer in These Needs". The speaker will be Walter E. Elicson, deputy regional director, United States Department of Commerce. The second subject will be "Practical Drug Store Merchandising" by Frank M. Deville, West Coast representative, Eli Lilly Company.

The afternoon session will be an open forum discussion period in which all delegates will take part. The subjects of discussion will be: (1) "What Should the Credit Manager Do to Foster Good Will Between the Customer and His Company?" (2) "What Is the Credit Outlook for 1950?" (3) "Collecting Delinquent Accounts To Retain the Good Will and Business of Customers". (4) "Setting Credit Limits — How and Why?"

The meeting will conclude with a period for questions and answers from the floor by visiting delegates.

Electrical and Radio Manufacturers

The committee for the Electrical and Radio Manufacturers report that an interesting and informative program is being prepared for the meeting.

Both morning and afternoon sessions will be devoted largely to open forum discussions, at which time subjects such as "Financing Accounts Receivable", "Secured Credit", "Securing Financial Statements", "Credit Limits", "Taxes", "Terms", and many others will be discussed.

Delegates will also be invited to submit their questions and problems, and it is expected that everyone in attendance will participate in the discussions.

Electrical and Radio Wholesalers

A program of great interest has been developed by Chairman W. S. Edwards, Hollywood Wholesale Electric Co., Hollywood, for this industry. Prominent speakers will be on hand to give interesting talks and discuss subjects relating to the industry.

The following subjects have been scheduled for formal talks: "Bankruptcy, Assignments and Compromise Settlements"; "How We Can Help Small Business" which will include discussion of finances, store planning, merchandising, reduction of large inventories, etc.; "Methods of Reducing Old Accounts While Selling Currently". Following the formal talks, a question and answer period will be provided.

The meeting will conclude with an open forum period on "Industry Problems", thus providing an opportunity for all delegates to participate in the program.

Feed, Seed and Millers

J. E. Siegel, Standard Brands Incorporated, Los Angeles, chairman and his committee for the Feed, Seed and Millers Industry meeting, promises to present a very interesting and constructive program to the delegates attending this meeting.

Several speakers will appear on the program. The subjects selected will be of interest to the industry. In addition, the following topics have been suggested for open forum discussion at the meeting: "Cash Discounts—An Important Collection Tool"; "Insufficient Funds and Unsigned Checks—What Methods Have Been Found to be Most Effective in Processing?"; "Fixed Assets—How Should They be Regarded in Evaluating the Credit Risk?"; "Field Warehouse Financing—What Should Be Our Attitude?"; "What Is the Trend in Marketing As It Relates to the Industry?"; "Training Credit Department Personnel"; "Insolvencies—How Can We Salvage More Out of Our Deferred or Suspended Accounts, or Accounts Who Have Gotten into Financial Difficulties?"; "How Can the Credit Department Better Serve Management? Kind of Reports? How Frequent?"; "How Can the Credit Executive Pass On to His Staff Company Policies, New Ideas, Changes, Etc.?"; "Consumer Credit—Effect of Increased Installment Buying on Our Future Economy"; "Credit Control—Methods Used"; "Credit Department Organization"; "Ratios—Which Are Important and Why?"; "Important Credit Barometers (a) Capital Expenditures (b) Price Index (c) Business Failures (d) Bank Loans (e) Inventories (f) Collection Periods"; "Business Outlook for 1950—(By Area)"; "Public Relations in Credit"; "What's On Your Mind?"

Fine Paper

Chairman M. C. Ulmer, Zellerbach Paper Company, San Francisco, reports his industry will meet in morning session only. Delegates of the Fine Paper Industry are invited to meet jointly with the Paper Products and Converters Industry for the afternoon session.

The program for the morning session will open with an open forum discussion on "Ethics in Credit". This discussion will consist of a review of the cannons of commercial ethics.

The next subject on the program will be "Our Relation With the Secured Creditor". This subject will be presented in two sections—(1) Banks, and (2) Machinery Dealers. A banker and a machinery dealer will make this presentation, followed by a discussion period in which the delegates will participate.

Floor Coverings and Furniture

An extremely interesting and informative program has been arranged by Chairman Owen S. Dibbern, The Paraffine Companies, Inc., San Francisco. The agenda will include such formal talks as:

"Today's Economic Conditions and Their Effect on the Functions of the Credit Department"; "What Management Expects From the Credit Manager and His Department"; "The Qualities and Attributes Necessary for the Sales Minded Credit Manager".

The balance of the meeting will consist of an open forum and panel discussion. Mr. E. C. Corwin, John Widdicomb Co., Grand Rapids, will serve as moderator. The panel will consist of the following: E. A. Hightower, Bigelow Sanford Carpet Co., New York; John E. Hoff, Klearflax Linen Looms, Inc., Duluth; R. C. Hunt, F. S. Harmon Co., Tacoma; B. Mayer, Simmons Company, San Francisco; J. A. Wilkes, William Volker Co., Los Angeles. Subjects for discussion are: "What Is Your Attitude Toward Customers Requesting 'Datings'?"; "At What Date of the Month Are Unearned Cash Discounts Disallowed?"; "What Is the Attitude of Those Present Concerning Interest on Over-Due Accounts?"; "In Calculating the Condition of Receivables at Month End, Which Method Is Preferred? Number of Days Sales Represented Therein or a Certain Percentage of Collections, or Both? Other Methods?"; "What About the Future Contingent Liability in Financial Statements and Higher Prices Covering Pension Systems Forced Upon Industry by Union?"

Food Products and Allied Lines Manufacturing

Chairman Matthews of the Carnation Company, Los Angeles, and his committee have arranged an interesting meeting for their industry. The meeting will be opened by an address by L. F. Pritchard, assistant vice president, Bank of America, Los Angeles, whose topic will be "A New Look at the Old West".

The balance of the morning session will be devoted to open forum discussion. Mr. F. H. Hulbert, The Procter & Gamble Distributing Co., Cincinnati, Ohio, will lead off on the subject "Training Credit Department Personnel". The discussion leader for "Insolvencies—How Can We Salvage More Out of Accounts in Financial Difficulties", will be O. W. Bullen, Lever Brothers, Company, New York, N. Y.

The afternoon session will be devoted to open forum discussion of curent topics. The discussion on "Credit Control—Methods Used" will be led by John C. Wiesner, California Packing Company, San Francisco. Earl Felio, Colgate-Palmolive-Peet Company, Jersey City, will lead the discussion on "Ratios—Which Are Important, and Why?" Discussion leader for the subject "NSF Checks—What Methods Have Been Found to be Most Effective in Processing?" will be Ray C. Major, C & H Pure Cane Sugar Company, San Francisco.

"Business Outlook for 1950" will be discussed in the open forum period. Mr. E. O. Regelmann, Bon Ami Company, Inc., New York, will report on the business outlook in the East; Mr. T. J. Lyon, Kellogg Sales Company, Battle Creek, will report on the Middle West; and Mr. J. F. Matthews, Carnation Milk Company, Los Angeles, will discuss the outlook in the West.

The open forum period will be concluded with a summary of the discussion given by W. R. Dunn, General Foods Corporation, New York.

Food Products and Confectionery Wholesalers

Information received from Chairman W. Ralph Rowe, Golden State Company, Ltd., San Francisco, indicates an interesting program is being arranged for this industry meeting.

"State of the Union"—a message regarding current trend of business failures—will be presented by J. Newman, vice president, Dun & Bradstreet Company, New York City.

The balance of the morning session will be devoted to open forum discussion of shop talk subjects presented by the delegates in attendance at the meeting.

Lovic B. Pearce, American Credit Indemnity Co., San Francisco, will talk on the subject, "A Practical Discussion of Accounts Receivable (Credit) Insurance".

The meeting will be concluded with an open forum discussion of actual problems confronting credit managers daily, under the title "What Would You Do?" Discussion leader will be Howard Gardner, Klauber, Wangenheim Co., San Diego.

All delegates will be invited to participate in the open forum discussions by submitting their problems and questions, and entering into the discussion of the various subjects presented.

Footwear

The preparatory work of preparing the program is organized under D. B. Campbell, Hood Rubber Company, Los Angeles, as chairman of the Footwear Industry Session. He is being ably assisted by Vice Chairman Frank G. Herbst, Herbst Shoe Manufacturing Co., Milwaukee; S. A. Kelly, Buckingham & Hecht, San Francisco and Fred Martin, Endicott-Johnson Corporation, Endicott, N. Y.

The committee is now engaged in working out a program which contemplates the selection of outstanding men in the industry to speak on subjects of pertinent interest to the industry. Following these talks, there will be an open forum discussion. Delegates attending will have the opportunity to bring up for meeting discussion any subject which they feel of interest to them and those in attendance at the meeting.

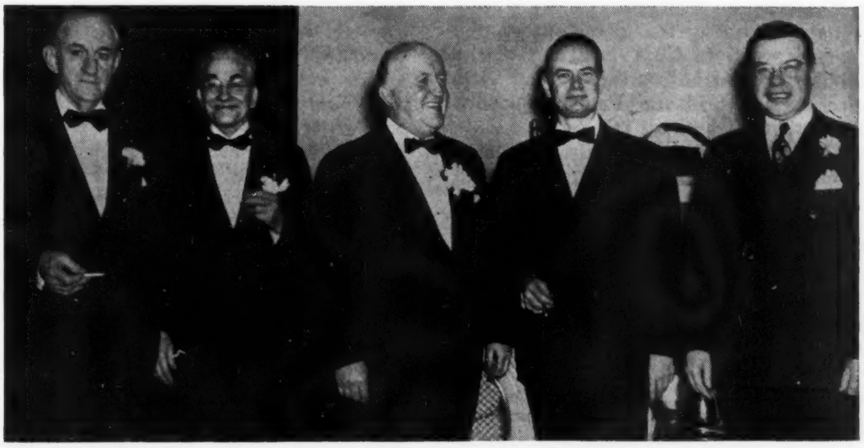
Hardware Manufacturers

When the Hardware Manufacturers meet for their Credit Congress of Industry sessions, they will be called to order by Chairman W. Bready, Schlage Lock Co., San Francisco.

Current developments within the industry will receive extended consideration during the meetings, as well as ways and means of preventing failures and building successful merchants.

Everyone in attendance can be assured that no problems of the industry's credit work will be overlooked in the program. The chairman and committee members have completed a survey among the industry members to make certain that subjects of general interest will be placed on the program. Several fine speakers on industry problems

LADIES' NIGHT IN DETROIT



Detroit: The Detroit Association held their 39th annual Ladies' Night Party at the Detroit Yacht Club on Belle Isle, February 17. The party was attended by 400 members and friends. Following cocktails, dinner was served at 8 p.m. Strolling musicians furnished the entertainment for guests during dinner. Door prizes donated by members were then distributed. The party continued with dancing until 1 a.m. Standing in front of the prize display, from left to right, are: Dave Robertson, Detroit Edison Co., entertainment chairman; L. E. Phelan, Detroit secretary-manager; H. J. Lowry, Michigan Mutual Liability Co., National Director from district five; Detroit president Paul E. Ewers, Michigan Consolidated Gas Co., and Albert A. Beste, Koenig Coal & Supply Co., 1st vice president of the Detroit Association.

will make their appearance. In addition, many of the subjects suggested by the men in the industry will be treated in open forum fashion. These will be interesting and informative to all.

Hardware Wholesalers

Information received from Chairman R. M. Murchison, California Hardware Co., Los Angeles, indicates a very interesting and informative program is being arranged for this meeting.

"What Management Expects of the Credit Manager", is the subject of a talk by E. H. McGinnis, vice president and general manager, Union Hardware & Metal Co., Los Angeles. "How I Handle Trade Abuses (Unearned Discounts, Etc.)", will be presented by Walter Hempy, credit manager, M. Seller Co., San Francisco.

"Collection Correspondence" will be discussed by two speakers, each giving a fifteen minute talk. "Credit Department Assistance to Customers" is the subject of another formal talk.

There will be a discusion period following each talk, which will permit all delegates to participate in the discussion.

Insurance

The meeting will convene following the general industry luncheon. Delegates of the insurance fraternity will participate in a general discussion of the relation of the Insurance Group to the general membership, and how educational programs may be developed which will be of value and helpfulness to the members of the Association as a whole.

Iron and Steel

The Iron and Steel, the Machinery and Supplies, and the Non-Ferrous Metals, Raw Materials and Allied Lines Industries will meet in joint session.

Three speakers will discuss the subject, "What the Credit Executive Contributes to Management". Each will give short talks of fifteen minutes each. These speakers are: B. A. Tucker, sales manager, Peerless Pump Division of Food Machinery & Chemical Corp., Los Angeles; Fred Hanson, vice president, California Bank, Los Angeles, and Gilbert Purvis, treasurer, Atlantic Steel Co., Atlanta.

This presentation will be followed by a discussion and question and answer period.

The first speaker of the afternoon session will be Dudley E. Browne, comptroller, Lockheed Aircraft Corp., Burbank, whose subject will be "Liberty Through Free Enterprise". "The Workout Problem (or The Doctor Beats the Undertaker)" will be the topic of a talk by T. W. Johnson, vice president, Security First National Bank of Los Angeles. Following each of these talks there will be a discussion and question and answer period, thus giving all delegates an opportunity to participate in the program.

Machinery and Supplies

(See Iron and Steel)

Meat Packing

The agenda for the Meat Packing Industry meeting is composed of three formal talks—two during the morning session, and one in the afternoon, with the balance of the afternoon session devoted to a panel discussion.

The formal talks are: "Major Factors That Disturb Credit", by J. E. Walsh, secretary, Oscar Mayer Company, Chi-

cago; "Personal Statement of a Credit Manager" by Louis Hageman, vice president and general manager, Luer Packing Company, Los Angeles; and "What's the Difference?" by Tony Whan, Los Angeles, president of the Sales Executives Club, president of the Pacific Indoor Advertising Club and vice president of the Pacific Outdoor Advertising Club.

Mr. A. L. Jones, assistant treasurer, Armour & Company, Chicago, will serve as moderator for the panel discussion. Members of the panel will be L. O. Walters, credit manager, Armour & Company, Los Angeles; J. D. Kerns, credit manager, Cudahy Packing Co., Los Angeles; E. J. Kavalec, credit manager, Luer Packing Co., Los Angeles, and Oscar Bridston, credit manager, State Packing Co., Los Angeles. The panel will be motivated by questions from the members of the group directed to various members of the panel, under the direction of the moderator, A. L. Jones, and will cover a number of subjects pertinent to credit procedure in the meat packing industry.

Non-Ferrous Metals, Raw Materials and Allied Lines

(See Iron and Steel)

Oil Well Supplies

Chairman W. A. MacMullen, Bethlehem Supply Company of California, Los Angeles, is developing a splendid program for this Industry meeting.

Three formal talks will be given at the morning session, and the afternoon will be devoted to a general discussion of credit phases in the oil industry, and a question and answer period in which all delegates will be asked to participate.

The subjects to be covered in formal talks are "Banking and Its Relationship to the Oil Industry"; "Oil Industry Credits in the Mid-Continent Area", and "Oil Industry Credits in California, and Operations and Functions of the Oil Field Division of the Los Angeles Credit Managers' Association".

Paint, Varnish, Lacquer and Wallpaper

This meeting will open with a report on the activities of the Credits and Collections Committee of the National Paint, Varnish and Lacquer Association by Adam Pahle, General Credit Manager, Devoe & Reynolds, Inc., New York.

"Credit Man of Tomorrow—How Much of a Salesman Should He Be", is the title of the talk to be presented by Gordon G. Whipple, assistant general credit manager, The Paraffine Companies, Inc., San Francisco.

The morning session will also feature a panel discussion on the general subject, "Credit and Sales Co-Ordination". This subject will be discussed in three sections: Subject A, "Good Will Building Which Increase Profits"—discussion leader, K. J. Forshee, division credit manager, National Lead Company, Los Angeles; Subject B, "Protecting Our Profits"—discussion leader, A. Reese, credit manager, W. P. Fuller & Company, Los Angeles, and Subject C, "The Credit Man in the Field"—discussion leader, C. E. Buck, credit manager, The Bishop-Conklin Company (Division of Devoe & Reynolds Company, Inc.), Los Angeles.

The first subject on the agenda for the afternoon is a formal talk by Robert S. Warner, resident partner of Lybrand, Ross Bros. & Montgomery, Los Angeles. His topic will be "Why Are There So Many Business Failues Today?"

Ample time will be allowed for a full discussion following each talk, at both sessions, and in addition the balance of the meeting will be devoted to an open discussion period covering "Discount Chiselers—What Are You Doing About It?"; "Opening Orders—New Accounts—Terms"; "Collection Procedure"; "Collection Agencies"; "Interest on Past Due Accounts"; "Form Letters". The above are suggested subjects to be brought before the group by the chairman for general discussion. Delegates will also be asked to submit discussion subjects from the floor.

Paper Products and Converters

"Industry Financing As An Aid to Continued Credit Extension by Suppliers" will be the opening subject on this program. The speaker will be T. W. Johnson, vice president, Security First National Bank, Los Angeles.

The balance of the morning session will be devoted to "Case Studies"—a presentation of actual cases handled in the industry. These cases will be presented by A. E. Kern, credit manager, Western Wax Paper Company, Los Angeles, and Albert J. Adams, credit manager, Southern district, Fibreboard Products, Inc., Los Angeles. Mr. K. J. Koebig, assistant secretary, Liquid Carbonic Pacific Corporation, Ltd., Los Angeles, will be the discussion leader.

A talk on "Economic Outlook" will be the first presentation of the afternoon session—speaker to be announced.

Mr. M. C. Ulmer, Zellerbach Paper Company, San Francisco, will be the discussion leader for an open forum discussion period, on the following subjects: "Credit Education of Customers" and "How to Aid Our Customers in Collecting Their Accounts Receivable". Adequate time will also be allowed for discussion of other topics presented by the delegates.

The afternoon session will be a joint meeting of the Paper Products and Converters and the Fine Paper Industries.

Petroleum

The program for this Industry meeting will consist of four panel sessions. This is in keeping with the desires of the majority members of the industry for open forum discussion, thus providing audience participation, covering problems and topics pertinent to the industry.

The following subjects are on the agenda:

"Commercial and Industrial Credits"—with particular stress on clipper and transport sales to service stations; also methods used for interchange of ledger experience. Mr. A. A. Hock, Tide Water Associated Oil Co., San Francisco, will be the moderator.

"Agricultural Credits" will be discussed, with J. P. McLaughlin, Richfield Oil Corp., Los Angeles, serving as moderator.

Another subject will be "Credit Department" which will include its organization and activities other than customer relations, such as personnel training, work assignment, layout of department, trade group participation, relations with credit reporting agencies. Moderator will be J. A. Walker, Standard Oil Company of California, San Francisco.

"Retail Credit", covering methods and procedures followed in the issuing, renewing, collecting and cancelling of credit card accounts, fraudulent accounts, interchange of ledger experience, OC-1 system-relations with retail credit agencies will be discussed. R. D. Roberts, Union Oil Company of California, Los Angeles, will be the Moderator.

Time will also be allowed for open forum discussion on other subjects suggested by the delegates, not covered in the program, in order to get the views of the leading credit executives of the industry.

Plumbing, Heating, Refrigeration and Air Conditioning

The program for the Plumbing, Heating, Refrigeration and Air Conditioning Industry meeting will cover many subjects of interest pertaining to this industry; and those attending will find the time spent well worth while.

John G. dePass, National Radiator Company, Johnstown, Pa., chairman, and his committee members are selecting subjects of current interest, and round table discussions will afford everyone an opportunity to obtain invaluable suggestions and information with regard to credit problems in the industry.

Public Utilities

This industry will meet all day Tuesday, May 16, and have a morning session on Wednesday, May 17, concluding about 12:15 p.m.

The address of welcome on Tuesday morning will be given by E. N. Simmons, controller, Southern California Gas Co., Los Angeles. "Free Enterprises Preferred" will be presented by W. C. Mullendore, president, Southern California Edison Co., Los Angeles. Mr. F. U. Naylor, manager, credit and collections department, Pacific Gas & Electric Co., San Francisco, will talk on "Credit Management by Utilities and Other Private Enterprises".

The afternoon session will open with a talk on "Computing Adequate Reserves—Economic Indices" by R. S. Warner, resident partner, Lybrand, Ross Bros. & Montgomery, Los Angeles. Mr. P. E. Ewers, Michigan Con-

solidated Gas Company, Detroit, Mich., will present "Prudent Protection Preserves Profits". Mr. Ewers' talk will include discussion on "Shall we go 'whole hog or none' in granting credit on utility accounts?", and "How can we determine factually what yardsticks to follow?".

The Tuesday program will conclude with a forty-five minute discussion.

A group breakfast will be held Wednesday morning, at which a California man will be speaker. Subject and name of speaker not now available.

The balance of the Wednesday session will consist of four talks of five minutes each, followed by a ten minute discussion period after each. This is listed on the agenda as "5 and 10". Dudley Meredith, secretary, Credit Association of Western Pennsylvania, Pittsburgh, will talk on "Your Credit Interchange". Fred Olson, Michigan Consolidated Gas Co., Grand Rapids, Mich., will present "Handling of Commercial Accounts Whose Ability to Pay Is Deteriorating". "Merchandise Financing" is the topic of the talk to be given by Warren G. Henderson, Public Service Company of Northern Illinois, Chicago. The subject of the talk by J. G. Waddick, Peoples Gas Light & Coke Co., Chicago, will be "Making It Easy for the Customer to Pay".

Textile

Following the usual custom, this industry will have a half day meeting—a morning session only.

The agenda consists of a panel discussion on a number of subjects as follows: "What Constitutes the California Market?", to be presented by Edward W. Boyle, manager, National Credit Office, Inc., Los Angeles. "Financing the Textile Market in California", by Nat C. Green, vice president and manager, textile branch, Bank of America, Los Angeles. "Reorganization and Liquidation Problems on the Pacific Coast" will be presented by Charles J. Katz, attorney-at-law, Los Angeles.

Frank E. Byrne, treasurer, Cannon Mills Incorporated, New York City, will serve as moderator. The panel will consist of the three foregoing speakers. Other members may be added to the panel.

Wearing Apparel

Co-chairmen Edward Gasser and John Wigely, and their committee, have arranged a very interesting and informative program for the members of this industry.

The meeting will open with a talk on "Extensions, Assignments and Bankruptcies" by M. Engleman of the Los Angeles Credit Managers' Association. Following Mr. Engleman's talk, a discussion and question and answer period will be provided.

The next subject will be an open forum discussion on the subject, "How We Can Help Small Business". Mr. William Ware, Normandin Bros., Los Angeles, will lead the discussion.

Youngstown: Theodore L. Sharrer, director, vice-president and sales director of Congoleum-Nairn, Inc., spoke on "Where do we go from here?" at the February dinner meeting of the Youngstown Association of Credit Men.

The afternoon session will be devoted to an open forum discussion period covering the following subjects:

"Credit and Collection Letters", conducted by Miss Helen Sommers, Trojan Hosiery Mills, Indianapolis. This period will be devoted to a discussion and criticism of a group of credit and collection letters to be submitted by members prior to the conference. These sample letters will be mimeographed and copies passed out to all members attending the meeting.

Other subjects which will be discussed in open forum are: "Compromise Settlements"—discussion leader, Louis Smirnow, Phillips-Jones Corp., New York City. "Terms of Sale—Methods of Enforcing—Terms Chiseling"—discussion leader: Fred Schellentraeger, Catalina, Inc., Los Angeles. "Special Credit Department Problems"—discussion leader: R. Fowler, Pendleton Woolen Mills, Portland.

Secretaries Hold Meeting in Omaha

Omaha: Secretary-managers from St. Louis, Kansas City, Des Moines, Sioux City, Minneapolis and Omaha held a meeting in Omaha February 4 for the purpose of exchanging ideas and discussing methods whereby service might be improved. Many such conferences are being held from time to time throughout the country since it is found that through them more uniform service can be given to members.

Socialism Is Subject Of Philadelphia Talk

Philadelphia: The Credit Men's Association of Eastern Pennsylvania heard an address on the lessons we should learn from Britain's experience under socialism at their meeting on Thursday, February 23. The speaker was Thurman Sensing, director of research, Southern States Industrial Council, Nashville, Tenn. He had just returned from an eight weeks' tour of Great Britain where he made a first-hand study of the socialist government in operation.

Hartford: "Sales and credit—brothers under the skin" was the subject of a talk by Gardner M. Corbin, sales manager, Atlantic Screw Machine Works, Inc., at the February meeting of the Hartford Association of Credit Men at the Wethersfield Country Club February 15.

Seminar Is Held In New York On Sour Accounts

New York: The New York Credit Men's Association has been conducting a three session seminar this month on how to handle the embarrassed debtor. Mortimer J. Davis, Association Secretary and an authority on bankruptcy conducted the first meeting March 6. He covered "out of court" cases, the calling and conducting of creditors' committees, investigation of debtors' affairs, settlements, etc.

Two attorneys, Michael Feiring, of Feiring & Bernstein, and Aaron Rosen of Steindler, Houston & Rosen conducted the March 13 meeting. Their discussion centered around arrangements and extentions under Chapter XI and reorganizations under Chapter X. The third session, to be held March 20, will deal with liquidation procedures under assignments for the benefit of creditors, through bankruptcy and by corporate dissolution. This meeting will be conducted by David L. Shandalow of Sanders and Shandalow.

Eastern Petroleum Credit Men to Hold Regional Meeting

Boston: Plans for the 13th annual conference of the Association of Eastern Petroleum Credit Managers, to be held at the Hotel Kenmore April 17, 18 and 19 are nearly completed. Discourses on vital credit matters will be presented by speakers with an authoritative background.

Two of the main highlights will be dinner meeting, Monday, April 17, to which will be invited division managers and their staffs. The other will be Boston's unique and original session, a New England Town Meeting.

Upper Midwest Feed Credit Group Holds Annual Spring Meet

Minneapolis: The Spring meeting of the Upper Midwest Feeder Finance Credit Group was held at the Radisson Hotel February 16. Twenty-nine representatives from nine cities in six States were present.

The entire day was spent in discussing the problems peculiar to poultry feed suppliers and the prospects for the 1950 turkey crop.

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Milwaukee: Donald McNally, field representative of the Social Security Board, addressed the February 21 meeting of the Milwaukee Credit Women's Group at the City Club.

CONFIDENTIALLY SPEAKING

Henry T. Johnson, Lever Brothers Company, Chicago, has been appointed Credit Manager of The John F. Jelke Company, also Chicago. His successor at Lever Brothers is **J. P. Bedel** . . . **Robert W. Pahr** is now Credit Manager at The Pilot Shoe Company, Baltimore, Md. . . . **J. A. Robinson** is now Credit Manager at Standard Tube Company, Detroit, Mich. . . . **Frank Wood** replaces P. D. Mitchell as Regional Credit Manager at Bigelow-Sanford Carpet Co., Cleveland, Ohio . . . **F. D. Shepperson** is now Credit Manager at Pittsburgh Plate Glass Co., St. Louis, Mo. . . . **Lee O. Higdon,** Comptroller, Marsh Steel Corp., Kansas City, Mo., and Director of The Kansas City Association of Credit Men, has been elected Treasurer of his company . . . **T. H. Wagner** has been elected Vice President and Treasurer of Eureka Williams Corporation, Bloomington, Ill. . . . **Wm. M. Collier** is now Credit Manager at C. O. Porter Machinery Co., Grand Rapids, Mich. . . . **Bruce Osborne, Jr.,** has taken over Credit Management at Korhamel, Heffron & Preiss Steel Co., Minneapolis, Minn. . . . **J. A. LaMotte** succeeds Henry Schwartz, retired, as Credit Manager at Cherry-Burrell Corporation, St. Paul, Minn. . . . **W. E. Beard** has been appointed Assistant Cashier and Credit Manager of The First National Bank & Trust Co., Tulsa, Okla., succeeding **S. C. Hieronymus,** resigned, who has become Assistant Cashier of The Third National Bank, Nashville, Tenn. Mr. Hieronymus is immediate Past President of The Tulsa Wholesale Credit Managers Association.

David G. Moses has succeeded F. E. Heberling as Credit Manager at Graflex, Inc., Rochester, N. Y. . . . **Miss Ella McComber** is now Credit Manager at Westinghouse Electric Supply Co., Duluth, Minn. . . . **Herbert Hubbard** has been appointed Vice President of The Hartford National Bank & Trust Co., Hartford, Conn., succeeding S. B. Knapp, who has been transferred to branch bank in Elmwood, Conn. . . . **James O. Burke,** Treasurer, Standard Coil Products Company, Chicago, has been elected a director of the Cosmopolitan National Bank . . . **Edwin H. Hellman** is now Manager of Credits and Sales at The Wm. Edwards Co. Div. of The Weideman Co., Cleveland, Ohio . . . **Earl C. Dickson** has replaced M. J. Andolsek as Credit Manager at Mill Supply & Machinery Co., St. Louis, Mo. . . . **Edward T. Clifford** has succeeded John J. Smith as Credit Manager at Strong, Cobb & Co., Inc., Cleveland, Ohio . . . **Frank Pazlar** is now Credit Manager at Union Petroleum Co., Council Bluffs, Iowa, succeeding Wm. F. Hakenholz, deceased . . . **Edmund R. Lutz** is now Credit Manager at Carpenter Paper Co., Omaha, Nebr., succeeding Sam L. Higdon, transferred to San Antonio, Texas.

SEATTLE CHANGES—**H. F. McCredy** succeeds C. R. Hartman as Credit Manager at Klinker Ready Mix Concrete Co. . . . **J. H. Hale** replaces C. B. Wortz as Credit Manager at D. K. MacDonald & Co. . . . **Miss Roberta Rossman** now handles Credits at Metropolitan Press Printing Co. . . . **Miss Pearl Meagher** is now Credit Manager at Atlas Lumber Co. . . . **Edward G. Totten** is now Credit Manager at Ocomo Food Company, succeeding R. D. Haley, transferred to Omaha . . . **R. E. Allen** succeeds W. R. Foreman, retired, as Credit Manager at Hydraulic Supply Mfg. Co. . . . **H. C. Mauze** is now Credit Manager at Radio Television & Appliance, Inc. . . . **Roy M. Manning** is now Credit Manager at S. L. Savidge Co. . . . **J. W. Reitze** succeeds J. B. Loughary as Credit Manager at Superior Portland Cement, Inc. . . . **Jay W. Krom** is now Credit Manager at West Coast Machinery Co.

F. J. Seminarie is now Credit Manager at The Diamond Match Co., Chicago . . . **O. A. Barrett** succeeds F. C. Miles, as Treasurer at Wilson Foundry & Machine Co., Pontiac, Mich. . . . **Charlton Ray** is now Credit Manager at Motorola-Detroit Co., Detroit, Mich. . . . **Russell W. Nowotny** has replaced H. W. Reim as Credit Manager at Universal Match Corp., St. Louis, Mo. . . . **Oscar Larson** is now Credit Manager at Armour & Company, Grand Rapids, Mich. . . . **Jos. A. Keller** succeeds L. T. Olson as Credit Manager at Cornelius Co., Minneapolis, Minn. . . . **James E. McGrath** succeeds Harry C. Johnson as Credit Manager at St. Paul Foundry & Mfg. Co, St. Paul, Minn. Mr. Johnson is now with the Ottertail Power & Light Co., Fergus Falls, Minn. . . . **Edward W. Powers** is now Credit Manager at Gorton Pew Fisheries, Ltd., Gloucester, Mass. . . . **Miss Florence A. Brown** is now Assistant-Treasurer at Bromley & Co., Inc., Boston, Mass. . . . **Frank Layton** succeeds C. B. Worthington, retired, as Credit Manager at Strawbridge & Clothier, Philadelphia, Pa. . . . **Albert R. Stelling** has been elected Vice President of The Live Stock National Bank, Omaha, Nebr.

CALIFORNIA CHANGES—**George Brown** is the new Credit Manager at Remmet Construction Co., Palo Alto . . . **Fred E. Lettice, Jr.,** has succeeded R. M. Chewning as Credit Manager at The Republic Supply Company, Emeryville . . . **Seymour Leson** is now Credit Manager at Oakland Sheet Metal Supply Co., Inc., Oakland . . . **Lloyd Winslow** succeeds Ernest Singuefield as Credit Manager at Purex Corporation, Ltd., South Gate.

Leonard Holloway succeeds Everett Flemming as Credit Manager at Lindley Box & Paper Co., Marion, Ind. . . . **Warren Lyman** is now in charge of Credits at Sewall Paint & Varnish Co., Des Moines, Iowa . . . **C. J. Laverty,** until recently in charge of Credits at Fairbanks, Morse and Co., Cleveland, has been transferred to St. Louis, Mo., as Credit Manager, succeeding R. E. Whiteley, who has been assigned to other work.

E. B. M.

Association Services Discussed at Omaha

Omaha: "What your association can do for you" was the subject of a panel discussion at the Fontenelle Hotel February 16.

E. R. Morgan, Armour & Co., president of the Omaha Association, and Fred L. Johnson, president of the Western Stamp & Pencil Co., were the principal speakers. They were supported by a panel including the chairmen of the legislative, insurance, educational, adjustment, interchange and collection committees.

Herbert G. Bausch, Henry W. Miller Electric Co., 2nd vice-president of the Association, was moderator.

"CHUCK" Baldwin Takes Up New Post in London

WORD has been received that Charles F. Baldwin, first manager of the Washington Service Bureau, has been transferred from Trieste to London as counselor.

Mr. Baldwin took over the management of the new Washington Service Bureau in 1935 and continued as manager until 1941 when he joined the U. S. Navy. He was released from active duty with the rank of captain. In April, 1945, he was commissioned in the foreign service and has been stationed at Santiago, Oslo and Trieste.

Controllers and Cost Accountants Honored At Toledo Meeting

Toledo: Continuing its series of special nights the Toledo Association of Credit Men held a "Controllers' and Cost Accountants' Night" for their February 28 meeting at the Elks' Club.

T. A. Eggleston, superintendent of the Fidelity & Surety Department, Aetna Casualty & Surety Company, Detroit, gave a talk on employee fraud.

Washington Plans Spring Programs

Washington: The Washington Association of Credit Men planning an interesting Spring programs. On March 21, O. K. LaRoque, former president of the Winston-Salem Home Loan Bank and currently a member of the Home Loan Bank Board is scheduled to speak. The Home Loan Bank System is, so to speak, the Federal Reserve System of the Building and Savings and Loan Associations.

In April Henry H. Heimann will address the Association.

Discusses Hoover Report

Seattle: Former Governor Leslie A. Miller of Wyoming, chairman of the Task Force on Natural Resources of the Hoover Commission discussed the Hoover Report and its need for support at the February 20 meeting of the Seattle Association of Credit Men.

MEMBERSHIP PROGRESS REPORT
May 1, 1949, to February 28, 1950

Class AA	Net Gain	Members 2-28-50	Percent
Chicago	54	2080	102.66%
Louisville	20	1055	101.93
Indianapolis	15	960	101.58
Class A			
Boston	45	636	107.61%
Pittsburgh	49	808	106.45
Baltimore	14	571	102.51
Class B			
Denver	25	335	108.06%
San Diego	30	443	107.26
New Orleans	9	285	103.26
Class C			
Houston	56	258	127.72%
Syracuse	27	228	113.43
Toledo	7	213	103.40
Class D			
Columbus	19	130	117.11%
Spokane	7	137	105.38
Green Bay	6	125	105.05
Class E			
Nashville	23	71	147.92%
Cape Girardeau	19	61	145.24
Elmira	8	46	117.39
Class F			
Quincy	9	36	133.33%
Erie	5	25	125.00
Madison	3	18	120.00

Wholesale, Retail Credit Men Hold Clinic in Alanta

Atlanta: The Georgia Association of Credit Men, in company with the Retail Credit Association and the University of Georgia, Atlanta Division, held a most successful credit clinic on Monday and Tuesday, February 20 and 21. Mrs. Carmen A. Dobbs, Association secretary, and Miss Margerie Jennings, chairman of the education committee, represented the wholesalers in arranging the clinic.

Speakers at the clinic included Henry H. Heimann, J. Gordon Dakins, general manager, National Retail Dry Goods Association, and Professor Theodore H. Beckman, of Ohio State University. Mrs. Dobbs conducted two workshops during one of the sessions.

Name Three New Members of Board of Governors of Credit Interchange

Three new members of the Credit Interchange Board of Governors have been selected by subscribers in the three divisions. These new representatives will take office on May 1. They are George O. Daniel, Horne-Wilson, Inc., Atlanta, Georgia, representing the Eastern Division; Jule Jackman, Richardson Company, Cincinnati, Ohio, representing the Central Division; and Harold H. Gloe, Morrison-Merrill & Company, Salt Lake City, Utah, representing the Western Division.

These three new representatives have had long experience with Credit Interchange operations and will make excellent additions to the Board of Governors of this important service feature of NACM.

ADVANCE PROGRAM*

54th Annual Credit Congress

MAY 14th THROUGH 18th—1950

SUNDAY, MAY 14TH

Arrival of delegates. Registration Galleria, Biltmore Hotel.
Hostess Reception—Evening—Musical Interludes

MONDAY, MAY 15TH

General Sessions, A.M. and P.M., Ballroom, Biltmore Hotel.
Speakers: Hon. Goodwin Knight, Lt. Gov., State of California
Hon. Fletcher Bowron, Mayor of Los Angeles
Henry Heimann, Executive Manager, NACM
Charles B. Coates, Vice Chairman, Hoover Report Commission
Hon. R. M. Nixon, Congressman, California
Annual Business Meeting Luncheon—Credit Women's Club
Divisional Dinners
Reception and Grand Ball, Embassy Room, Ambassador Hotel
Afternoon Auto Tour for Guests

TUESDAY, MAY 16TH

Industry Credit Group Meetings
Consolidated Luncheon, Biltmore Bowl
Speaker: Dr. Wallace Sterling, President Stanford University
Ladies' Fashion Show and Luncheon, Crystal Room, Beverly Hills Hotel
Vaudeville—Dance, Ballroom of the Biltmore Hotel

WEDNESDAY, MAY 17TH

General Session—A.M.
Speakers: Dr. Kenneth McFarland, Superintendent of Schools, Topeka, Kansas
Dr. Clarence Dykstra, Provost, U.C.L.A.
International Trade Luncheon
Auto Tours for Guests
Knowing that many of our visitors have special places they wish to go—there will be no meetings Wednesday afternoon.
Bankers' Dinner
Annual Banquet, Credit Women's Club
Annual Roundup, Royal Order of Zebras
Dancing—Biltmore Ballroom

THURSDAY, May 18TH

Closing Session: A.M.
Speaker: Samuel H. Pettingill, former Congressman from Indiana
Reports from various committees
Election of Officers and Directors
Installation of Officers and Directors
We hope to make this an event you will long remember.

**Due to the advanced presentation of this program, all speakers are subject to change without notice.*

Baltimore: M. W. McFarlin, special agent in charge for the Federal Bureau of Investigation, gave a talk on commercial crime at the February 28 meeting of the Baltimore Association of Credit Men.

Newark: "The credit-sales partnership" was the topic of an address by Joseph L. Wood, assistant treasurer of Johns-Manville Corp., at the February 9 meeting of the New Jersey Association of Credit Executives. Mr. Wood, besides being general credit manager of his company, is treasurer of the Sales Executives Club of New York.

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Mansfield, O.: Credit executive in the Mansfield area heard a talk by Leonard B. Hurwitz, controller of the Dominion Electric Corp., on Monday, February 13. He spoke on income-tax planning.

The ZEBRA Corral

Announcing:

The "Foreign Legion" Plan of Royal Order of Zebras

Attention you "C" men who are attending the Los Angeles N.A.C.M. Convention in May.

If you are in a city where no Herd of Zebras now exists, you may present your application for membership in the Royal Order of Zebras now. If your application is accepted, and you believe you can stand the rigors of a Zebra initiation, you will be invited to join this illustrious organization while attending the Convention. The particular date **is May 17th.**

Here is a wonderful opportunity to enjoy the pleasures and benefits of the Royal Order. Costs are extremely nominal, benefits and pleasures are immeasurable.

Sign and mail to the:

Corral of Governors
Royal Order of Zebras
301 Washington Street
Oakland (7), California
Attn: MARK O. HUTCHISON
GRAND EXALTED SUPERZEB

the following application for membership:

(SPECIAL)

APPLICATION FOR MEMBERSHIP IN ROYAL ORDER OF ZEBRAS

Name: .... Member of .... Ass'n.

Address: .... Whose Secretary is: ....

Employer: .... Address ....

HONORABLE GRAND EXALTED SUPERZEB and GRAND CORRAL OF GOVERNORS:

I, ... of ...., ..., hereby apply for membership in the ROYAL ORDER OF ZEBRAS.

I understand, if this application is accepted by the Order, that I am to be present at the N.A.C.M. Convention in Los Angeles in May 1950 to be initiated into this illustrious group of credit executives.

It is also my understanding that while the initiation will be presented by courtesy of the Los Angeles Herd, I shall, if I survive said initiation, actually not become a member of the Los Angeles Herd, but a member of the Group known as:

"ROYAL ORDER OF ZEBRAS—FOREIGN LEGION"

I shall be a member of the national organization through said "FOREIGN LEGION", until I become affiliated with a recognized local Herd of Zebras.

With this application, I enclose my check for $2.00 in favor of the ROYAL ORDER OF ZEBRAS for my first year's dues. Thereafter, it is my understanding that I shall maintain my membership in the Order by sending $1.00 to Zebra National Treasury, annually, providing I have not become affiliated with a local Herd of Zebras. If I have become associated with a local Herd, I shall be governed by their regulations.

I shall endeavor to become an "Active" member of the ROYAL ORDER OF ZEBRAS.

Sincerely,

....

ANNOUNCEMENT TO ZEBRAS:

To those Zebras who have not been reached by the Grand Exalted's Report dated January 30th:

The Los Angeles Herd has plans all but completed for the 1950 Zebra Round-up. They announce this meeting, initiation, and stag party is for *Zebras only. No one* is to be admitted without presenting his Zebra (paid) dues card. Now, if you are not active in the Zebra organization in your city, but plan to be in Los Angeles at the Convention, you may qualify for admission by securing your 1950 card by writing the "Grand Exalted" (address above) and enclosing $1.00 for dues card. It will be mailed to you promptly and you will have a time in Los Angeles, fellow Zebra. Do it now, and we'll try and save you a front row seat.

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San Diego: On Friday, February 10th, the San Diego herd held a round-up at the North Park Lions' Club. The San Diego group now numbers forty-three active members.

Elmo Trimble, Super Zeb, of Los Angeles; Lee Fortner, Joe Allison, Art Johnson, Bill Gaster, and Art Kern, Western Ranger, came down from Los Angeles to attend the meeting and outline to the local herd details of their duties as co-hosts with Los Angeles Zebras at the 54th Annual Credit Congress to be held in Los Angeles May 14th, 1950. San Diego members were invited to attend a joint meeting in Los Angeles on March 24th to complete final plans for the convention. Howard Gardner was appointed to coordinate the San Diego herd with Los Angeles, as to duties, and uniforms to be worn.

A special meeting for election of officers for the coming year was held on Friday, February 24th. Past Super Zebs, Church Colburn, of McKessen Robbins Co.; R. K. Sybert, Hages Ice Cream Co.; Frank Allessio, Pepsi Cola Co., were appointed as the nominating committee by the Super Zeb.

Ed Wright, our Super Zeb, who attended the National Round-up in Atlantic City in 1949, is largely responsible for the present active number of Zebras in San Diego. He has attended meetings of various herds throughout California and the ideas he has brought back have been beneficial to the local herd.

MEET THE MANAGERS

SEVENTY-FOUR years of service are represented among the three managers featured this month. All three have charge of Associations of key importance in their districts. All three have come to their present positions after thorough apprenticeship in Association work. Since his is the largest Association in the country we shall start with the executive manager of the New York Credit Men's Association.

MORTIMER J. DAVIS was appointed executive manager of the New York Credit Men's Association in June, 1947. His connection with the Association dates back to 1928 and he had served as its assistant executive manager and assistant secretary prior to his elevation to the executive managership. In addition, he holds the position of manager and secretary of the New York Credit Men's Adjustment Bureau, Inc., an affiliated organization which is the largest member-controlled unit in the world handling business adjustments and reorganizations.

Born in Manhattan, Mr. Davis was a special agent of the Federal Bureau of Investigation, U. S. Department of Justice, from 1917 to 1925. He served for a time as an assistant to J. Edgar Hoover, FBI chief, in Washington, D. C., and was also an assistant to the late Chief Justice Harlan F. Stone when the latter was U. S. Attorney General.

While with the FBI, Mr. Davis conducted the investigation which led to the jailing and deportation of Marcus Garvey, Negro stock promoter and self-

Mortimer J. Davis

styled "President of Africa," for defrauding fellow Negroes out of millions of dollars. Mr. Davis also played a leading part in the arrest and deportation of Emma Goldman, Alexander Berkman and hundreds of other Communists and anarchists following World War I.

He resigned from the FBI in 1925 to become assistant director of the Fraud Prevention Department of the National Association of Credit Men. Three years later, he joined the staff of the New York Credit Men's Association and became chief of its Adjustment Bureau. Mr. Davis participated in many well-known and successful business reorganizations such as McKesson & Robbins, Inc.; McLellan Stores, McCrory Stores, Childs, and National Department Stores in which he represented the merchandise creditor interests.

Recognized as one of the nation's foremost lay authorities on all phases of bankruptcy, reorganization and adjustment procedures, Mr. Davis has delivered hundreds of addresses on these subjects throughout the country. He is the only lay active conference member of the National Bankruptcy Conference.

MRS. CARMEN A. DOBBS is a Georgian by adoption, as she was

Carmen A. Dobbs

born and reared in Wickliffe, Kentucky, near Paducah. She has a background of pioneer ancestors of English, Scotch and Welsh descent. She became a resident of Georgia in 1914 and in 1917 married James K. Dobbs, a native Georgian. She was educated in private and public schools in Kentucky, had language study at the University of Georgia, and business study through the National Institute of Credit.

She has been with the Georgia Association of Credit Men, Inc., since 1923, when she came with them to do some administrative work in connection with the National Convention meeting in Atlanta that year. Her natural aptitude for business in general, and credits in particular, caused the directors to offer her a permanent position as assistant to the secretary-Manager.

She then did considerable free-lance study in the field of credit and finance, and after serving as assistant to six different secretary-managers, she acceded to this position, which she now holds.

The Georgia Association now maintains an educational program in cooperation with the University of Georgia, and has a continuing legislative committee which works on improving business legislation for the State. They have in the Georgia Association all the service departments affiliated with the National Association, such as Credit Interchange, Industry Credit Groups and Collection and Adjustment Departments.

In her early years with the Association, one of her interests was the Atlanta

J. L. Vance

Chapter, National Institute of Credit, which she served as registrar and counselor for twenty-four years. Classes in a prescribed curriculum for training in credit subjects were taught by university professors at the office of the Association. This school she operated with distinction, and there are many men and women in Atlanta and Georgia who are graduates of the Atlanta Chapter.

She has handled through the years all the publicity for the Georgia Association, and in the field of writing has done newspaper and magazine stories.

In 1940 Mrs. Dobbs organized the Wholesale Credit Women's Group of Atlanta, which is now a thriving and successful group of business women, holds monthly meetings, forums, and letter-writing clinics. Mrs. Dobbs' pride in her women's group was at a high pitch when one of its members became chairman of the National Credit Women's Executive Committee.

In her office she has a staff of eleven people, occupying a suite in the Whitehead Building in Atlanta.

Mrs. Dobbs is a widow, has a grown son, James K., Jr., and daughter, Mary Louise. Her hobby is collecting early American pattern glass.

THE Tri-State Association of Credit Men, headquartered in El Paso, Texas, has fanned out under the management of J. L. Vance so that it now covers all of West Texas and New Mexico, having branches in Amarillo and Lubbock, Texas, and in Albuquerque, Santa Fe and Las Cruces, New Mexico.

Mr. Vance started Association work in Phoenix, Arizona, in 1928 as collection manager. In 1931 he was appointed assistant secretary-manager of both the wholesale and retail credit Associations

there and held the positions until 1934 when he moved to El Paso to be secretary-manager of the Association there, which had at the time but 29 members.

Having built up the El Paso organization he branched out into New Mexico and established the Wholesale Credit Association in Albuquerque in 1936. Three years later, the Amarillo Association was organized and in 1945 the branch Association in Las Cruces. The Lubbock Association was established just this year. The overall membership now totals more than 340.

News from the CREDIT WOMEN'S GROUPS

California, Here I Come!

WE HOPE ever so many Credit Women will be singing this refrain in May. The 54th Annual Credit Congress is to be held in Los Angeles May 14-18 of this year. All of us in the Los Angeles Credit Women's Club extend to all of you Credit Women throughout the country the heartiest invitation to visit us in May.

Why not arrange your vacation at that time, take in the convention (at which we can promise you a wonderful time), then spend the remainder of your vacation seeing the wonders of Sunny California. If there happens to be no sun, we can always offer you "unusual" weather. And, believe me, you can have fun in California in any sort of weather.

Please come to see us at the big convention in May. We're very eager to meet all of you.

Until May, then, our best wishes.

—Los Angeles Credit Women's Club

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Kansas City: The Kansas City Credit Women's Club held their regular meeting at the Business and Professional Club Tea Room on Wednesday evening, February 8. Mr. George Armour sang grace, "The Lord's Prayer." Mr. and Mrs. Armour sang several delightful numbers during the dinner hour. Mrs. Jack Nourse, world wide traveler, gave a graphic account of her experiences of a recent trip to Great Britain, Europe and Africa. Mrs. Helen Craighead, president, had charge of the meeting.

•

Minneapolis: The Minneapolis Wholesale Credit Women held their monthly dinner meeting at Stouffer's on Tuesday, February 14. The Valentine theme was carried out in table decorations. The meeting was opened by President LaVerne Willman.

Georgie M. Anderson gave an enlightening talk on the educational opportunities offered by the Minneapolis Association of Credit Men. Irene Bekke, chairman of the Scholarship Committee, presented a plan whereby any and all members were given equal opportunity to win junior and senior scholarship awards. The tests for these awards will be given at the April meeting.

Elsie Stevens discussed the Northwest Conference to be held in St. Paul, Minnesota, on March 17 and 18 at the Lowry Hotel. Being so close to home will make available an opportunity for all to attend.

Program chairman, Dorothy Teckler, then introduced Mrs. R. G. Cargill, our speaker of the evening. Mrs. Cargill, known also as "The Christmas Lady," spoke on "Wit and Wisdom of Proverbs." Her talk was very interesting and she illustrated with proverbs that contradicted themselves. As an example, "You are never too old to learn"; "You can't teach an old dog new tricks."

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Memphis: The Memphis Credit Women's Group held their monthly dinner meeting February 21 at the Hotel Chisca. Virgil Cox, Standard Oil Company, presented one of his company's technicolor pictures. Scholarship plans for the year were discussed.

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New Orleans: The New Orleans Credit Women's Group continues to work for new Association memberships. To date the women have secured four new members and hope to add many more before the fiscal year ends. The group has also added another scholarship to Tulane University. The second was awarded January 26.

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Cleveland: The February meeting of the Cleveland Credit Women's Club was held on Tuesday evening, February 14th, at Monaco's Restaurant. Dinner was served to 52 members and guests. The club was fortunate in securing as guest speaker for the evening, Ken Thompson, Credit Manager of the Packard Electric Division of General Motors Corporation, Warren, O. Mr. Thompson is an active member of the Youngstown Association, having headed their Credit Education Committee in 1949, and is an outstanding leader in his field. His subject, "This Is Our Problem," was very well presented and called for a number of questions from the floor afterward.

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Philadelphia: J. Melber Clarke, assistant treasurer, the Pennsylvania Company for Banking and Trusts discussed the credit aspects of foreign trade as they affect imports and exports at the March 9 meeting of the Philadelphia Credit Women's Group.

Barnum Appointed Assistant Head of Graduate School

ORRIN E. BARNUM, Assistant Credit Manager of the Carnegie-Illinois Steel Company of Pittsburgh, has been appointed Assistant Director of the Graduate School of Credit and Financial Management for 1950 Session. He will spend the two weeks from August 6th to 19th at Dartmouth College, where the School sessions are being held, and will give special assistance to Dr. Carl D. Smith, Director of the School.

Mr. Barnum is a member of the first class to graduate from the School on September 3, 1949. He is president of the Alumni Association and also a member of the Administrative Committee of the School. In his capacity as Assistant Director, Mr. Barnum will serve as a liaison officer between the members of the School and the faculty, have supervisory charge of the School office during the session, and work as an adviser and counsellor to members of the school body.

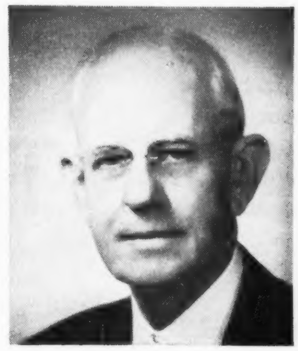
Syl May to Retire June 1

New York: S. S. May, for the past 30 years city editor of the *Daily News Record,* will retire June 1 and join James Talcott, Inc., New York factoring firm, in the new business department.

"Syl" has always been in close contact with the credit profession. He has not missed a credit convention for the past 30 years, and has been the recipient of many honors for his contributions to the credit fraternity. The latest such honor was the presentation to him of a life membership in the National Association of Credit Men during the convention at Atlantic City last year.

MINNEAPOLIS
F. G. Emrick
TREASURER
Smith Welding Equipment Corp.

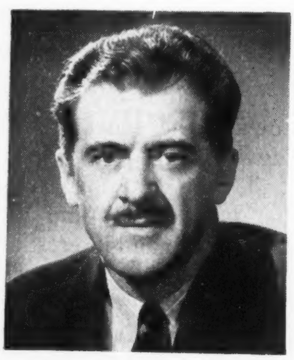
NEWARK
M. C. Price
DIV. CREDIT MANAGER
Sherwin Williams Co.



HOUSTON
R. C. Nitze
SECRETARY
W. L. Macatee & Sons, Inc.

PORTLAND
John S. Smith
DISTRICT CREDIT MANAGER
Tidewater-Associated Oil Co.

ASSOCIATION PRESIDENTS



TACOMA
J. V. Brosamer
CREDIT MANAGER
Tribune Publishing Co.

WHEN SPRING ARRIVES and the year enters its second quarter, the Association year approaches its close. It is proper therefore to look back on the year's achievements and take stock of our gains.

The success of an Association year is the measure of an Association's leadership. Many of the men pictured on this page will soon be installing their successors. Such recognition as they receive for their efforts is but little recompense for a year or more of hard work and responsibility. To them go our thanks and good wishes for continued service.

CHATTANOOGA
Thomas P. Fraser
CREDIT MANAGER
Brock Candy Co.

DAVENPORT
A. H. Kleinsmith
CREDIT DEPT. SUPERVISOR
Oscar Mayer Packing Co.

SIOUX CITY
John O. Mahoney
TREASURER
Knapp & Spencer Co.

MANSFIELD
George R. Cashell
CREDIT MANAGER
Barnes Manufacturing Co.

TODAY'S exercise, kiddies, is very simple; so simple, in fact, that it won't take more than a few minutes of your time. All you have to do is sit down and draw me a picture of any woman in your acquaintance who has *ever* said anything like this to her children:

"Wash your hands prior to lunch."

If you know no women then you may substitute a thumbnail sketch of any man you know who has *ever* said anything like this to his secretary:

"Finish that letter prior to leaving."

You don't have to have any artistic talent for you won't be able to find anyone to draw, or, if you do know anyone like that, you can easily get off the hook by ending the acquaintance forthwith, something that should have been done a long time ago.

However, if today's assignment had been to draw a picture of every man you know who *dictates* such stuff to his secretary you'd be in the drawing business for a long time to come.

THIS IS WAR!

or

Not Lost But Gone Prior To

by DUOCEPHALUS

I NEVER cease to marvel at the way conversational English ; left outside the office door. Ordinary, good husbands and fathers kiss their wives goodbye in the morning, chat with their friends on the way to town, take the elevator up to the office and bingo! Schizophrenia! They become one person in the flash and another on paper. (In rare and terrible cases the Hyde part gradually conquers the Jekyll. I knew a sergeant in the army who was given to posting notices which were heavily larded with the word "personnel." "Personnel will do this," he would announce, "Personnel will do that." And so help me, such a hold did the word get on him that he would actually *say,* in person, "Personnel must understand..." But that is an isolated example and we're getting off the subject.)

The business schizophrenic leaps from one personality to the other without warning and without pause. While dictating he is one person, yet if he interjects a remark to his secretary he is the other. He flipflops quite unconsciously and quite without effort, and he would be the last to admit that he flipflops at all!

"Take a letter, Miss Boggs," he says. "Prior to shipping your order —oh, by the way, Miss Boggs, before I go home remind me I have to see Mr. Blow. Now then—prior to shipping . . . " See what I mean? Is it conceivable that he would say "Before we ship your order—oh, by the way, Miss Boggs, prior to going home . . ."? I claim that it wouldn't happen in one office in a million.

WHAT is the matter with using "prior to" in ordinary conversation? The answer is have y u ever heard anyone use it in ordinary conversation? And if you haven't why use it in letters? Why use lots of expressions in letters that you wouldn't dream of using if you were talking to your correspondent instead of writing to him?

Try this some time. When your secretary has finished a letter for you read it through carefully and make a note of the number of words or phrases that you would never use in spoken English. Then cut 'em out and use the words or phrases you *would* use in conversation. Your poor secretary is going to feel pretty jaundiced for a time at the retyping she'll have to do but it will be a wonderful mental cathartic for you and eventually you will keep a close enough watch on your dictating tongue that your secretary won't have anything to complain about.

"Prior to" has come in for all the abuse up to now, but only because, of all my hates, "prior to" is running a close third to "the writer" and "same", which have been discussed in earlier effusions. There are many more, for instance our old standby "in excess of," "in the amount of," "please advise" and many others which you can rattle off just as quickly as I can without having to worry whether the editors are going to be shorter of space than ever.

TAKE your thumbs out of your vest, deflate the ego and *talk.* Perhaps the word "dictate" is responsible for it all. Stop dictating. Never dictate. Just talk. You'll find that your letters are fresh and interesting. You'll sound like an intelligent man and worth listening to.

Or let's go the whole hog and drop all the simple, everyday, non-inflated words and confine ourselves at all times and in all places to "prior to" and all the other "fat cat" expressions. But I warn you, the printers will have to use a smaller size of type to get "Close cover prior to striking" on a matchbox and people are going to have one devil of a time getting used to the fact that Caesar invaded Britain in 55 P.T.C.!

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Mr. H. E. Wood, of the H. D. Lee Company, Kansas City, adds this pleasant little contribution to January's discussion.

Our little grandson,
Just two and a half,
Seems the answer to have.
Now, please, don't laugh.

Says he, not "I,"
Not "we,"
Not "the writer" or "speaker"
But "ME."

THIS IS PIECE

— of my mind!

Dear Duocephalus:

Your article in the February issue of "Credit and Financial Management" entitled "THIS IS WAR," has been carefully read.

You have covered a lot of territory when you go all the way back to the sixteenth century and endeavor to hang the entire blame for the misuse of the word "same" on some poor monk.

You attempt to bomb the word "same" out of the dictionary. I quote from the article, "What magnetic power has this intrinsically inoffensive word that otherwise normal people feel constrained to misuse it at all times and at all costs?" This is a very erroneous statement. The 23rd Chapter of St. Luke, 12th verse, reads: "And the same day Pilate and Herod made friends together for before they were at enmity between themselves". This instance is sufficient to knock out your claim that the word is misused at all times. Here is another however. I received a letter from a member last week including this question, "Will the registration fee for delegates at the Los Angeles Convention be the same as last year?"

FOR one solid week after reading your article I spent every day in the Public Library of Philadelphia from 9 A.M. to 9 P.M. I did not do one stroke of membership work (Please do not tell Ed Moran), answer any inquiries received from members, (President Morgan F. Moore of the Credit Men's Assn. of Eastern Penna. must not hear of this) or forward any further notices to our members regarding the 54th Annual Credit Congress (Art Johnson, Secretary of the Los Angeles Credit Managers Assn. would kill me if he knew this.)

I isolated myself in the Library, started with the first word in the dictionary, which is Aardvark and ran through to the last word, zythum. By the way, the dictionary, defines "Cephalus" as the name of a hunter in Greek Mythology who unwittingly killed his faithful wife, so in the case of Duocephalus, there must have been two murders committed.

I searched through shelf after shelf of books until I found where each and every word in the dictionary had been properly used. I did this so I could make a positive statement that every word in the dictionary has its place and is necessary to clear expression. Mr. Webster was a smart man. My laborious task was performed in an effort to head off subsequent unprovoked attacks on standard words. Believe it or not!

You have called those who misuse "same" in correspondence, ignorant business man. It can be safely said that the letters of these so-called ignoramuses at least are clear and understandable. I am also convinced for instance that few credit men today write collection letters reading "Your account amounting to $151.20 is long past due and same must be paid by return mail." English professors, Aline Hower and other letter writing experts have done too good a job.

I AM endeavoring to show that your lesson in rhetoric and composition is actually accomplishing nothing. If you want to do a real constructive job, would suggest that you wage a campaign to have language used in drafting government regulations and laws which will make them clear and understandable to layman. They are invariably as clear as mud. Strange as it may seem, the clearest part of a law or legal document is undoubtedly the application of the word "same" which is peppered through them.

It may shock you to learn that I have read many newspapers, magazines, books, and poems, in an effort to find the word "same" but was unsuccessful except in the case of the Bible. It is surprising how seldom it is used correctly or incorrectly.

I am afraid, Friend Duocephalus, you have been caught in your own trap. I quote from your article, "Now, back in 1549, the first translation of any prayer in English," etc. Take a good look at the way the word "Now" is used. The error i identical with the one about which you have preached the sermon. Shame, thrice shame upon you! Have you become allergic to the lingo of the teenagers who say "Goodbye, now." Or will you blame the error on the Indians.

You have thought yourself perfect and have thrown the first stone. Start ducking for the brick-bats will come flying thick and fast.

Sincerely,

J. Stanley Thomas, Secretary
The Credit Men's Association of Eastern Pennsylvania

P.S. Teacher, will you please give me a sentence containing the word Xanthochroid? J. S. T.

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(Editor's note: Mr. Thomas' remarks were submitted to Duocephalus for comment. His reply follows.)

WOW! That's quite a diatribe, isn't it? I had hoped to start an argument, but I must confess I didn't expect such a succession of left hooks in such a short space. The best thing I can do is answer Mr. Thomas' arguments paragraph by paragraph.

Paragraph 1. That's the most flattering piece of news to come my way for a long time.

Paragraph 2. At least I *tried* to find out how it all started and I'm waiting eagerly to be proved wrong, for I want to *know.*

Paragraph 3. That's not quite fair. My beef (a slang word, used deliberately, not because I know no better) is that "same" is *misused*, and you admitted in paragraph 2 that such misuse exists. I didn't say that the word is misused at all times. I said otherwise normal people misuse it all times. That admittedly was an exaggeration. Do you know any editors? They have charge of stuff called space and it almost kills them to let an author use any of it. As a result I

was forced to compress my remarks and let that exaggeration get by. But we are agreed, are we not, that "same" *is* misused by some people who otherwise write decent English?

Paragraph 4. You should be ashamed of yourself.

Paragraph 5. Didn't you elect a new administration in Philadelphia recently? You should ask them to appropriate $30 for a new dictionary. Mine starts with "aa" (two syllables), meaning a rough, scoriaceous lava, and ends with "zyzzogeton," a genus of large South American leaf hoppers, and everyone knows what they are. Cephalus, the murderer, was unknown to me, I confess, so chalk up one point for your side.

Paragraph 6. This all sounds like a very bootless chore but if you found it instructive who am I to object? And those last two sentences look ominous. It will be good discipline, however, to watch every word so that when the lightning strikes from Philadelphia I'll be at least prepared.

Paragraph 7. Here's where we come to the core of the whole argument. Your example "and same must be paid by return mail" *is* being written and many others like it day in and day out and the only possible explanation for this sad state of affairs is that people don't know any better or think they are being impressive. English professors, Aline Hower and many others are doing all they can but there is still an appalling number of business men who continue to perpetrate the same error. It's one symptom of creeping cliché-mindedness.

Paragraph 8. The only people who can do anything about lawyers are lawyers and they seem to like themselves the way they are!

Paragraph 9. No shock.

Paragraph 10. Now here I think you are being a little unfair. (Note the use of "now." I'm not intimidated.) To compare a word as used to introduce a new thought with a vulgarity is not quite *comme il faut.* (We really are throwing the book at each other, aren't we?)

Paragraph 11. Let them come. I can't remember enjoying anything so much as dodging your brickbats and throwing them back at you, or at least trying to. This time I feel no shame. Next time you may get me!

P.S. Observe the little anthropoid.
He wishes he were xanthochroid
Although he knows he can't avoid
Being strictly melanoid.

Next question.

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Comes this plaintive cry from J. Leland, credit manager, Western Die Casting Company, Emeryville, Calif. A piece of what looks like bureaucratese is stuck fast in his hair. It's a new one to me but I can well see his point.

There is still being used, at least in our business sector, an expression which I never heard before the stuffed shirt regime arising during the war. That expression is "the above subject" which can take its place beside "the same." Our correspondence is littered with letters set up as usual practice demands, and then just before the writer gets down to business there appears Re:

From there the letter teems with references to "the above subject invoice," "the above subject number," "the above subject subject." Why *sub*ject? After a page or two I feel as though I had been sub*ject*ed to the above subject subject.

Down with the "above subject subject"!

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If anybody reads this stuff and either likes it or loathes it I would be most interested to hear from him. What is your pet hate?

—*D.*

ISMS . . . . . .

Socialism—You have two cows and give one to your neighbor.

Communism—You have two cows, the government takes both and gives you the milk.

Fascism—You have two cows, the government takes both and sells you the milk.

Nazism—You have two cows, the government takes both and shoots you.

New dealism—You have two cows, the government takes both, shoots one, milks the other and throws the milk away.

Capitalism—You have two cows, you sell one and buy a bull.

—*From a bulletin of the Omaha Association*

Brief Notes...

Syracuse: "Management once believed that what is good for business is good for the public. Now this is reversed and management feels that what is good for the public has to be good for business," said Thomas H. Nelson, partner in the management consultant firm of Rogers & Slade, New York, on Tuesday, February 14.

Speaking at a meeting of the Syracuse Association of Credit Men, Mr. Nelson warned against over specialization in the credit field. He outlined five functions of management—planning, organization direction, co-ordination and control—and defined management as "the science and art of combining ideas and facilities, processes, materials and people to market a worthy service at a profit."

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Cleveland: Raymond Rodgers, professor of banking at New York University, warned the Cleveland Association of Credit Men that deflation should be of greater concern to business than inflation at a meeting arranged by the Association's education committee February 10. Members of the Treasurers' Club and the Robert Morris Associates were guests at the meeting.

Speaking on the subject, "The American System of Credit Which Has Produced the Highest Standard of Living Known to Mankind," Professor Rodgers provided those in attendance with a much better understanding of the relations between the Federal Reserve System, its member banks and the Federal Government.

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Boston: "Wake up or else" was the provocative title of an address before the Boston Credit Men's Association on Tuesday, February 28. The speaker was Edwin C. Johnson, president of the Boston Chamber of Commerce. Mr. Johnson is president of the H. A. Johnson Company.

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Bridgeport: Former Governor James C. Shannon spoke on the place of credit in our lives during the February 8 meeting of the Bridgeport Association of Credit Men.

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